

SANDY
Images
of the
aftermath

ECONOMY
New advice
from two
gurus

TIME

THE PETRAEUS AFFAIR

How his fall exposes a system failure at the
highest levels of national security

BY BARTON GELMAN



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Photograph by Marco Grob for TIME



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3200 B.C.

In the Fertile Crescent along the Nile river, cryptic messages set in stone tablets are proof of man's early love of communication.



1870s

The telephone is invented and the world is quickly wired.



1930s

From the famous "fireside chats" to adventure programs, radio adds "mass" to "communication."

2000s

Video calls put a face to the voice.



B.C.



1920s

Initiated in the mid-nineteenth century, telegrams become widespread for communicating to far-flung places.

1950s

The typewriter goes portable, allowing novelists to further the American road trip story.



1990s

Email arrives and forever revolutionizes the way the world connects.

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Editor's Desk

TIME stories that elicited the most mail



The Election
in Brief

For Obama,
Survival Is the
New Winning

How to Rebuild
Trust—and
Infrastructure

Documenting The Destruction



THE AFTERMATH OF HURRICANE Sandy continues to be devastating for thousands of people. From the start, we have been committed to covering this tragedy and the people affected by it, deploying reporters and photographers throughout the tri-state area. Eugene Richards shot the ravaged communities of Staten Island, N.Y. (top right). Finlay MacKay photographed tenants of the Redfern housing project in Queens (below), where, as Nate Rawlings reports on our photo blog LightBox, residents have struggled for weeks without light and heat. And for this issue, Stephen Wilkes created epic aerial photographs of destruction along the coastline.

In addition to documenting the devastation, we are determined to help those affected by it. Our parent company, Time Warner, has contributed \$1 million to relief and recovery charities including the Mayor's Fund to Advance New York City, regional Red Cross chapters and community-based arts and human-services organizations. TIME has teamed up with the art site 20x200 to raise funds through an online print sale called Art for Sandy Relief. The sale, which will run (at 20x200.com/time) from Nov. 19 through Dec. 16, will include work donated by 12 iconic photographers, including the stunning Wilkes photograph opening this week's portfolio as well as rare works by the great Alfred Eisenstaedt, via the LIFE Picture Collection; Eugene Richards; and Joel Meyerowitz. All proceeds will go to charities working on the ground.

Rich

Richard Stengel, MANAGING EDITOR



Sandy's aftermath
From top: A razed home in Staten Island; an unheated housing project in Queens



Art fundraiser
Alfred Eisenstaedt's circa-1939 image of Manhattan is part of an online print sale TIME is organizing to raise money for Sandy relief

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Briefing

'After being married for over 37 years, I showed extremely poor judgment by engaging in an extramarital affair.'

1. **DAVID PETRAEUS**, former CIA director, who resigned after admitting to a relationship with his biographer Paula Broadwell

'I'm not in love with David Petraeus. But I think he does present a terrific role model.'

2. **PAULA BROADWELL**, speaking in February while promoting her Petraeus biography

'You have decades upon decades to contemplate what you did, but after today ... Gabby and I are done thinking about you.'

3. **MARK KELLY**, husband of former Arizona Representative Gabrielle Giffords, addressing Jared Loughner—who shot his wife in the head and killed six people in January 2011—during his sentencing hearing

'I just want to ... relax. It sounds so ordinary, but I haven't done it for 20 years.'

4. **HILLARY CLINTON**, U.S. Secretary of State, on what she'll do after stepping down from her Cabinet position

'They won't get away with it.'

5. **BENJAMIN NETANYAHU**, Israeli Prime Minister, addressing those who he says attempted to strain Israel-U.S. relations by spreading rumors that he supported Mitt Romney; he later added, "The alliance with the U.S. is firm"



Nov 10, 2012 4:45 PM

Hey are you there?

Delivered

Nov 11, 2012 6:14 PM

Was it something I said?

Delivered

Nov 14, 2012 9:02 AM

Nevermind

Delivered

678

Average number of texts U.S. cell-phone owners send each month, down from 696 earlier this year; this is the first time the figure has declined

2.5 MILLION

Number of Syrians now believed to have fled their homes because of the civil war—double previous estimates

\$220 MILLION

Sales of Halo 4 during its first 24 hours on the market—the biggest game launch of the year



326

Number of hockey games missed during the first two months of the NHL lockout; the league's Winter Classic was also canceled

Briefing

LightBox



Going with the flow

A murmuration of starlings wings its way over the Scottish town of Gretna. The birds, known for moving in mass formations, migrate in winter from continental Europe to warmer Britain

Photograph by PA Photos/Landov
lightbox.time.com



World



U.S.

11.1 million

Barrels of oil the U.S. is projected to produce per day by 2020, edging out Saudi Arabia as the world's largest producer



The Syrian city of Aleppo has become ground zero for the bloody civil war

Will the Rebels Get the Guns They Want?

1 | SYRIA After days of talks in Qatar, a new umbrella group representing the forces outside and inside Syria that are pitted against President Bashar Assad finally emerged. In the 20 months that the Syrian civil war has raged—killing more than 30,000 people and spilling into neighboring countries—foreign powers sympathetic to the rebel cause have remained frustrated by the opposition's internal dissension. Western and Arab backers of the rebellion hope that the new opposition leadership will finally become the foundation of a credible, inclusive alternative to the Assad regime. On Nov. 13, France followed the example of Saudi Arabia and Qatar in recognizing the National Coalition as “the sole legitimate representative of the Syrian people,” anointing it as the government-in-waiting for Syria. Other countries are expected to follow suit.

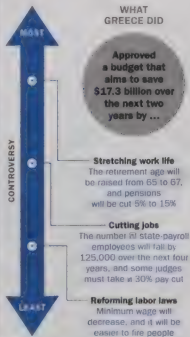
Still, it remains to be seen whether an alliance founded at the behest of foreign powers can establish its authority among ragtag rebels engaged in a bloody fight with Assad's forces. “The key question will be whether or not [the National Coalition] is able to unify rebel military groups on the ground,” says Joshua Landis, a Syria specialist at the University of Oklahoma. Persuading hundreds of autonomous rebel militias to bend the knee will depend on what the moderate National Coalition can do for them. That's why backers want the new structure to be the

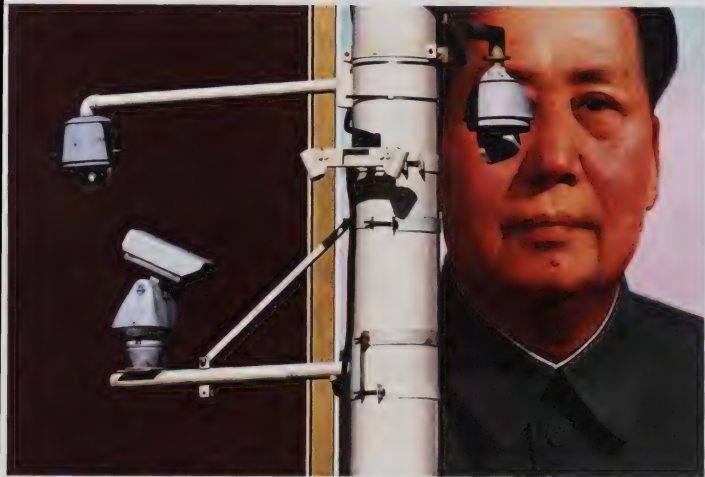
sole conduit for aid to the rebellion. Many of those who have signed on to the National Coalition expect Western powers to provide the surface-to-air and antitank weapons they seek to take on the Syrian military. That's an option Washington has resisted, for fear of arming groups hostile to U.S. interests. But with France and Britain leaning toward arming the rebellion, pressure could grow on the Obama Administration to do the same.

U.S. officials reportedly made it clear in Qatar that rebels should not expect weapons from Washington. The coalition would first have to prove itself capable of exerting real authority over the rebellion. But the coalition says control is dependent on its ability to provide those needed armaments. There may not be time to wait. With hundreds of Syrians dying every week, there appears to be a growing international willingness to roll the dice in hopes of ousting Assad and ending the civil war. —TONY KARON

Uproar over Austerity

2 | EUROPE Four days after the Greek Parliament voted to approve its 2013 budget—becoming the first euro-zone nation to enact sweeping austerity measures—activists and workers' unions staged an unprecedented (in scale, at least) strike against similar measures across Europe, effectively shutting down operations in debt-ridden Portugal, Italy and Spain. Solidarity actions took place in wealthier nations. Their unified message: Austerity cuts are making the debt crisis worse, not better. Although the demonstrations made waves—halting public transportation and canceling flights—it's unclear how they'll affect the decisions of the troika, a.k.a. the European Commission, the IMF and the European Central Bank.





The Long View

3 | CHINA Security cameras survey Beijing's Tiananmen Square, site of a giant portrait of Chairman Mao Zedong and the most important administrative buildings in China. More than 2,000 Communist Party delegates were to fill the Great Hall of the People on Nov. 15 to watch the country's mantle of leadership pass from President Hu Jintao to his successor Xi Jinping, a once-in-a-decade ritual.

FRANCE

'We're not planning to change our recipe.'

FREDERIC THIL, CEO of Ferrero France, the company that makes Nutella, in response to his country's proposed "fat tax," which would charge extra money on extra fat in the popular spread, among other sweet snacks



A New Gaza War

4 | ISRAEL An Israeli air strike in the Gaza Strip on Nov. 14 killed Ahmed Jabari, military head of Hamas, the Islamist faction in control of the Palestinian city of Gaza. Israel says its recent attacks in Gaza were in response to militants' firing rockets into Israeli territory, but angry Gaza residents called for retaliation. Despite Israel's proclaimed precision in its bombing campaign, dozens of civilians, including children, have been injured or killed.

How to End a Deadly Urban War

5 | BRAZIL The ongoing clash between São Paulo's largest gang, First Capital Command (PCC), and the police is wreaking havoc in Brazil's largest city, disrupting transportation, forcing school closures and claiming more than 140 lives. Naturally, government authorities are debating a variety of solutions. Here are three of the most plausible:

1

Launch a new intelligence agency

2

Enact stricter antidrug laws

3

Relocate the instigators



Nation

Between the Lines

By Mark Halperin



Republicans are defeated and divided in the wake of Election Day. The battle lines are drawn everywhere: ▶ Antitax absolutists are facing off against those who think accepting new revenue is inevitable... ▶ Republicans fearful of crossing the conservative base, which rejects anything that smacks of "amnesty" for illegal immigrants, differ from those who see the political imperative of getting on the right side of Hispanic voters... ▶ And determined social conservatives oppose those who recognize that a double-digit deficit among female voters requires some major rethinking... ▶ The GOP comeback plan: ▶ **1 Improve the party's standing with nonwhites, young people and single women**, which will take a complete revamping of its agenda and leadership... ▶ **2 Work the nuts and bolts**. Conservatives have ceded a once storied advantage in pinpointing and turning out voters to a Democratic operation that is unprecedented in size and wizardry... ▶ **3 Find an economic message for the middle class**. A successful White House-led effort to reach a grand bargain on deficit reduction would blur the biggest recent difference between the two parties, knocking Republicans back a bit in the short term. But sooner or later the GOP needs to spend some time crafting 21st century ideas about creating good jobs at good wages for current and future workers... ▶ **4 Let new leaders bloom**. It is way too early to say what kind of presidential candidate will be most likely to win in 2016 but not too soon for Republicans to admit the traits in which their current crop of bigwigs is deficient. On the shopping list: less white, less male, less focused on retro social issues, more comfortable on the campaign trail, more connected to the real lives of real people, more populist.

Refinishing the Cabinet

We know who will be in the White House for the next four years, but what about the rest of the team? President Obama is pondering the shape of his second-term Cabinet. Secretaries Hillary Clinton, Leon Panetta and Timothy Geithner have all signaled their likely departures. Last time around, Obama made a few surprise choices; here are some names in play now for the key posts.



SECESSIONISTS

99,450

Number of signatures on a Texas petition to secede from the U.S. since Obama was reelected—one of dozens of similar petitions filed on the White House website

CONGRESS

Mysteries of the Fiscal Cliff

1. Would going over the fiscal cliff expand the deficit?

No, the deficit would shrink. The Bush tax cuts would expire, lifting revenue. Federal spending would drop by \$1.2 trillion over 10 years, but the indiscriminate cuts could weaken the economy.

2. Is someone trying to raise taxes on the middle class?

No, Obama wants to extend the Bush tax cuts on income up to \$250,000, while the GOP wants to extend them for income above that as well. The disagreement is about higher taxes for wealthier Americans.

3. Doesn't everyone have an incentive to compromise?


Not necessarily. House Speaker John Boehner could face a leadership challenge if he tries to cut a deal with Obama, while Senate minority leader Mitch McConnell could face a primary challenge. Meanwhile,

the President could strengthen his hand by letting the Bush tax cuts expire and then proposing new "Obama tax cuts" to replace them. (The cliff doesn't have to be as steep as it sounds; even if a deal is not made by Jan. 1, politicians can agree to reverse the spending cuts later.)



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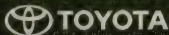


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Economy

Put Down the Mouse

Retailers try new ways to get holiday shoppers off the Internet and into stores

By Brad Tuttle

AS BLACK FRIDAY LOOMS, IT'S A TOUGH TIME FOR PHYSICAL retailers. Sales growth is slowing. Popular smart-phone apps like RedLaser and Amazon PriceCheck let people comparison shop on the spot. And in a recent poll from Booz & Co., roughly 40% of all U.S. consumers admitted to showrooming—using brick-and-mortar stores to check out products they intend to buy cheaper online, usually with free shipping.

But now the stores are fighting back. On the heels of Walmart's and Target's decision to stop selling Amazon's Kindle readers—viewed by some analysts as a move to thwart the e-commerce titan—major U.S. retailers are launching programs

to make the in-store shopping experience just as fast, cheap and efficient as shopping online (even as they're beefing up their virtual operations). "If these stores can drive foot traffic, they know they can turn patrons into buyers," explains Sucharita Mulpuru, a retail analyst at Forrester Research, noting that conversion rates for big-box retailers (90%) are significantly higher than those for websites (2%).

The timing here is crucial. Holiday shopping season—which technically stretches from Nov. 1 to Dec. 31—can account for 40% of a store's annual sales as well as provide a big boost to brand visibility. Here's how the major players are sharpening their competitive edge.

Easier Pickup

Walmart's curbside pickup service, which lets customers place orders online and have them delivered to their cars, is expanding to more stores. The company also offers a "Buy Online, Pick Up In-Store" option, allowing customers to reserve items online and pick them up in-store.

Guaranteed Deals

To ensure it won't run out of stock, Toys "R" Us allowed parents to reserve select "hot toys" before Oct. 31; they can pick them up before Christmas. Meanwhile, Walmart is promising that every shopper who lines up at 10 p.m. on Thanksgiving will get the door-buster deals, like a \$36 LG Blu-ray player.

Price Matching

Walmart's Price Match Guarantee allows customers to get the same price on a product in-store as they can find online. The company also offers a "Price Match Guarantee" on its website, allowing customers to get the same price on a product online as they can find in-store.

Virtual Perks

Although apps like RedLaser can hurt in-store sales, others, like Shopkick, are attempting to boost them. When customers use the app to scan products in Macy's, Old Navy and other partner stores—or browse those retailers' virtual catalogs from home—they accumulate points, or "kicks," which can be traded in for gift cards and other rewards.

Same-Day Delivery

Following Amazon and eBay's same-day shipping initiatives, the world's largest retailer, Walmart, began testing its own program: for a flat \$10 in markets such as Philadelphia and San Francisco, items ordered in the morning can be in hand by nightfall.

you'll
love what
you hear

and
what you
don't.

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Business

Reinventing The Wheels A fresh look coaxes riders back on the bus

By Josh Sanburn

AS MILLIONS OF AMERICANS BEGIN THEIR annual migration home for the holidays, there's one group that will escape the indignities of airports and the soaring cost of gas: budget-minded, tech-crazed, urban-dwelling young people. They will make Thanksgiving one of the busiest days of the year for Megabus and BoltBus. Living in cities with heavy traffic and limited transportation alternatives beyond cars, 20- and 30-something riders have emerged as the core constituency for this new breed of curbside buses, which are becoming the JetBlue of U.S. highways—fun, cheap and efficient.

Initially launched in Chicago and then operating along the East Coast's I-95 corridor, curbside-bus companies are expanding across the country. Megabus, owned by U.K.-based Stagecoach Group, started service in San Antonio, Houston and Dallas in June, just six years after its U.S. debut. BoltBus, its main competitor, opened routes in Seattle, Vancouver and Portland, Ore., this year.

By embracing technology, the new companies are trying to freshen the seedy image of bus travel. They ticket online and offer free wi-fi and plug-in capabilities at every seat. They realized that young consumers feel unembarrassed about bus travel—as long as they can stay online. "It's no longer about my new fancy car," says Lauren Ames Fischer, a Columbia University researcher in urban planning who studies the industry. "It's more, 'Look at the iPad in my hands.'" Bolt has also tried to rebrand bus travel by hiring drivers who can build a rapport with customers. "We try to hire folks that have a quick smile or a little twinkle in their eyes," says BoltBus general manager David Hall. "It creates a fun image of the brand."

Even more than high-tech amenities,



FEATURES

Free
wi-fi

\$1
fares

At-seat
plug-in
capability

Online/
mobile
ticketing

Leather
seats

Extra
legroom

Megabus
tracking
app

GPS units
that talk with
the app



NEXT STOP

Curbside buses are now operating in Texas and the Northwest

Vancouver to
Portland, Ore.
\$42

Chicago to
Columbus, Ohio
\$89

Boston to Philadelphia
\$50 BOLT
\$69 MEGABUS

Dallas-Fort Worth to
San Antonio
\$44

Cities served
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*Prices are the highest fares
listed for each service

cost is driving the bus business: prices of gas and train and air travel are near record highs. Drivers pay \$25 to \$50 in fuel costs to drive from New York City to Washington, D.C. The same trip averages \$19 on Bolt and \$22 on Megabus. Like JetBlue, curbside-bus companies have cut costs by drastically reducing rent and labor expenses, eschewing bus terminals for city-center curbside pickup. The strategy seems to be working: while traditional bus companies are still growing, curbside companies are booming. Megabus' North American division doubled its revenue over the past two years to more than \$260 million and reported an operating profit of \$6.3 million this fiscal year. Bolt, whose Northwestern operations are owned by Greyhound and which is jointly operated by Greyhound and Peter Pan Lines in the Northeast, doesn't release separate financials. Despite Bolt's growth, Greyhound is reluctant to adopt the Bolt

model entirely, fearing it would lose riders who are used to showing up at the terminal and paying cash for tickets.

Some riders have raised fears that no-frills lines might stint on safety after a spate of accidents involving smaller discount bus lines and the fatal crash of a Megabus response in Chicago in August. Megabus responded by giving its drivers additional training and says its ridership has continued to grow. "We're bringing the bus industry into the 21st century," says Megabus spokesman Mike Alvich. And the industry has taken notice. While Greyhound continues to serve longtime customers, the bus company launched Greyhound Express two years ago and has since expanded to more than a dozen cities in the U.S. Its basic amenities? Free wi-fi and power outlets at every seat.

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Milestones



DIED Darrell Royal. Football coach

On any given autumn Saturday, 100,000 football-obsessed Texans pile into Darrell K. Royal–Texas Memorial Stadium to root for the University of Texas. In 1996 the stadium was renamed to honor Royal, the Longhorns' long-time coach, who died Nov. 7 at 88. Royal became head coach after the 1956 season, at age 32, and over the next 20 years he led the Longhorns to 11 Southwest Conference championships and two national titles (as well as a shared third one, with Nebraska, in 1970). He never had a losing season.

Over and above his success—Royal defeated Alabama's Bear Bryant three times and was presented with the 1969 national championship trophy by President Richard Nixon—he was known for his folksy style and memorable phrases. When asked in 1965 after a brief losing streak if he would switch strategies, Royal said you have to “dance with the one who brung ya.” Before his coaching career, Royal was an All-American at Oklahoma—the Longhorns' archenemy—and he carried on a heated rivalry with the Sooners' celebrated coach Barry Switzer. “He was one of us. He was an Okie before he went to Texas,” Switzer said. “We claim him as our own.”

“He stood for the values that make coaching a worthwhile profession.” ABC's legendary football broadcaster Keith Jackson said after Royal's death. “And he stood pretty tall in any room that he graced.” —NATE RAWLINGS

DIED

Valerie Eliot, 86, who married T.S. Eliot in the last years of the great poet's life; she edited an edition of his epic *The Waste Land* that included annotations by Ezra Pound.

ENACTED

A new Russian law with an expanded definition of treason: anyone possessing information deemed secret could be imprisoned for 20 years for espionage.



DEMOTED

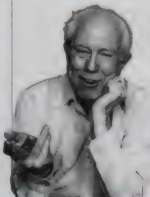
William “Kip” Ward, former head of the U.S. Africa Command, from general (four stars) to lieutenant general (three) because of his five-star travel and other unauthorized expenses.

DIED

Elliott Carter Composer

That Elliott Carter was still creating music as a centenarian—he completed his last work in August—is less impressive than that his music is still in demand. Carter, who died Nov. 5 at 103, began composing in the 1930s and never stopped; he wrote more than 40 pieces between ages 90 and 100. His *String Quartet No. 1*, in 1951, was a breakout work, while the second and third quartets won him the Pulitzer Prize in 1960 and 1973. Four were recorded by the Juilliard String Quartet to mark its 45th anniversary in 1991. (*String Quartet No. 5* came in 1995.) His rhythmically complex work is not easy listening—the quartets have been called the most difficult music ever conceived—but those who take the time to understand it are richly rewarded.

—KAYLA WEBLEY



DIED

Frank Peppiatt, 85, co-creator of *Hee Haw*, a variety show of comedy and country music that aired on CBS for three seasons, then lived on for 20 years in syndication.

HIRED

By the Los Angeles Lakers, former Knicks and Suns coach Mike D'Antoni; he replaces Mike Brown, who was fired five games into the season.

DIED

James Stone, 89, retired U.S. Army colonel who as a lieutenant in the Korean War led 48 soldiers in holding off 800 Chinese soldiers, earning the Medal of Honor.

Barnet's Mother and Child, an oil painting from 1961




DIED

Will Barnet Venerable artist

Though Will Barnet's work can be found in the collections of many American museums, he was rarely cutting edge enough to be a curator's favorite. He didn't need to be. Though Barnet, who was 101 when he died on Nov. 13, made regular forays into abstraction, it was his fine-lined slices of everyday life that made his name a byword for the pleasures of skilled draftsmanship and domestic tranquility. From the time in the 1960s when he returned to figurative work—especially his household scenes in broad areas of flat color—his art, instantly recognizable, was widely popular in prints and posters. It didn't hurt that cats figured prominently in quite a few works.

—RICHARD LACAYO



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The China Syndrome

Why the Asian giant could be Obama's second-term foreign policy headache

THE SECOND TERMS OF U.S. PRESIDENTS tend to be difficult for any number of reasons, but they are often disrupted by a foreign policy crisis. It's easy to see how that might happen over the next four years with Iran or Syria, and the Obama Administration is surely attentive to these risks. But there is a distinct possibility that the next big foreign policy crisis will take place somewhere else, perhaps thousands of miles away, in Asian waters, over five islets and three barren rocks—all uninhabited except for a few feral goats.

For months, Chinese and Japanese naval forces have been confronting each other in the East China Sea. Both countries claim a set of tiny islands; the Japanese call them the Senkaku Islands, the Chinese the Diaoyu Islands. The dispute involves energy—there are immense natural gas reserves below the seafloor—but above all it involves politics and history.

Asia's greatest geopolitical problem is that its two great powers—with the two largest economies and militaries—have an unresolved, bitter relationship. China and Japan have never had to occupy the world stage as equals. One has always dominated the other. For most of the past 500 years, China was the region's hegemon and Japan accepted its role as a distant satellite of the great Chinese empire. That changed in the late 19th century, as Japan became the first Asian country to modernize its economy and society and catch up to the West. After the Meiji Restoration, Japan's military strength grew, and in 1895 it defeated the Qing dynasty in China. One of the consequences of the war was that Tokyo formally annexed the Senkaku Islands. But their sovereignty has been in dispute for the past 40 years, with China asserting its historic claims and Japan its modern possession.

Over the past two months, both coun-

tries have acted in ways that could easily spiral out of control toward conflict. There are almost daily encounters between Japanese and Chinese ships as they patrol these waters. On dry land, riots and protests have taken place in both countries—with the populations in each getting more nationalistic. There have been few efforts by either government to defuse the situation and move toward a diplomatic solution. The U.S. is involved too, because it is bound by



treaty to go to Japan's military aid if Japan is attacked, and Washington has confirmed that the Senkaku Islands are covered by this obligation. In other words, if one of these naval encounters goes awry and China and Japan get into a naval conflict, the U.S. could find itself involved in an Asian war.

I realize this sounds far-fetched, but given the extremely bad relations between China and Japan, it is possible that honor, pride, miscalculation and accident could lead us there. And remember, China is in the midst of an enormous leadership change, one that is far more significant than this month's election in the U.S.

For the past three decades, China has been run on the basis of a strategy laid out by Deng Xiaoping, the Communist Party leader who set China on its current course. Deng's strategy had three parts. First, he replaced Marxist dogma with economic liberalization—with an orientation toward exports. Second, he took a political system that had combined ruthless dictatorship with chaotic power contests and replaced it with an orderly process that selected engineers and other technocrats for fixed terms in office. And finally, he overturned Mao's revolutionary foreign policy with one that tacitly allied China with the U.S.

Currently, all three aspects of the Deng

strategy are under stress. China's economic model has run its course and faces new challenges from rising labor costs and a shrinking cohort of young workers. Its political system is widely criticized within the country for corruption and lack of transparency. And its foreign policy is under strain from a nationalistic public, an assertive military and an intellectual elite that believes the world—and the U.S. in particular—is trying to contain China's natural rise to global power and influence.

China's next President, Xi Jinping, will have to be a different kind of leader. Hu Jintao made only two live state-of-the-nation speeches to his people in his 10 years in office. Xi cannot behave like a Mandarin Emperor. He will have to change China's economic strategy to ensure that the country keeps thriving. He will have to decide how to open up the political system enough to gain some legitimacy but not so much that the Communist Party loses its monopoly over power. And he will have to manage China's shifting relations with its neighbors not just in the East China Sea but throughout the region—and with the world's superpower—to preserve China's influence and prevent conflict. It makes President Obama's challenges look easy by comparison.

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NATION

Spy



Blown cover News of
Petraeus' resignation
stunned career officers

by Michael Sauter and Michael C. Smith

A close-up, high-contrast photograph of David Petraeus' face, focusing on his eyes and ear. The image is partially obscured by the large title text.

fall

David Petraeus' affair
with his biographer
ended his 37-year career.
But the damage from this
episode goes far wider

By Barton Gellman

Paula Broadwell

stepped off the stage at the Aspen Security Forum on July 28, fresh from criticizing the news media for heedless disclosure of secrets. The afternoon program of seminars was packed with admirals, generals and Cabinet chiefs, but Broadwell had pressing business elsewhere. She ducked out of the conference, slipped into running shorts and jogged off in search of a once-in-a-lifetime birthday present.

Broadwell and CIA Director David Petraeus had fallen into an extramarital affair after years of close contact as biographer and subject. Born two days and 20 years apart, they had big benchmarks approaching—his 60th, her 40th—and Broadwell was looking for a suitably momentous gift. As she had tweeted proudly a few days before, Broadwell had a date for a “1v1 run with Lance Armstrong.” What she did not mention was her plan to recruit Armstrong for a surprise birthday bike ride with the fitness-mad Petraeus. If all went as she planned, the retired four-star general would ride into his seventh decade alongside cycling’s greatest star.

That particular ride was not to be. By then, though they did not know it yet, disgrace was bearing down on all three of them. Tampa socialite Jill Kelley, alarmed by a series of disturbing e-mails from someone self-identifying as “kelley patrol,” had filed an FBI complaint in May. Electronic metadata pinpointing the times and places and IP addresses associated with Kelley’s hidden correspondent identified Broadwell as the author. Investigators scooped up gigabytes of content from her other accounts—some under Broadwell’s name, others under aliases. As FBI agents sifted through the harassing e-mails, they found discussion of the movements and activities of high-level military officials—and of Petraeus. “So that sparked the interest of the investigative agencies,” says a law-enforcement

official. Some of the exchanges were sexually charged. By that point the implications extended far past a domestic dispute into the highest reaches of national security.

Already the costs have been stunning. Marriages and reputations have been fractured. Multiple careers, including those of the CIA director and a four-star general, have been damaged or destroyed. The decision by FBI Director Robert Mueller and Attorney General Eric Holder Jr. to withhold notice about the case until Election Day has turned congressional attention once again on the inner workings of the Obama Administration. Intelligence Committee members in Congress are furious at having been kept in the dark, and the furor has strained relations between lawmakers and the White House at the very moment voters want to see them sit down together to get something done. The U.S.’s entire security apparatus seems rattled. And every news cycle brings new questions about the judgment, morals, methods and command

Broadwell wanted to surprise him with a birthday ride alongside cycling’s greatest star, Lance Armstrong

focus of some of America’s most powerful public servants.

Obama lost his CIA director just as the rest of his national-security team was in motion as well: Hillary Clinton is preparing to leave the State Department, and replacing her is likely to involve further shuffling of key players. And this was not just any CIA director but a man with long experience of command in the Middle East and South Asia, at a moment of intense focus on Libya, Syria and the looming pullout from Afghanistan. Obama was also losing one of the most experienced operators of and thinkers on lethal drones for targeted killing, the President’s chosen tool against al-Qaeda. And all this comes as complex problems in Iran and China await Obama’s attention. A President who had hoped to pivot to a second term of bipartisan purpose found himself dodging questions about how his team had handled the far-reaching implications of a love affair.

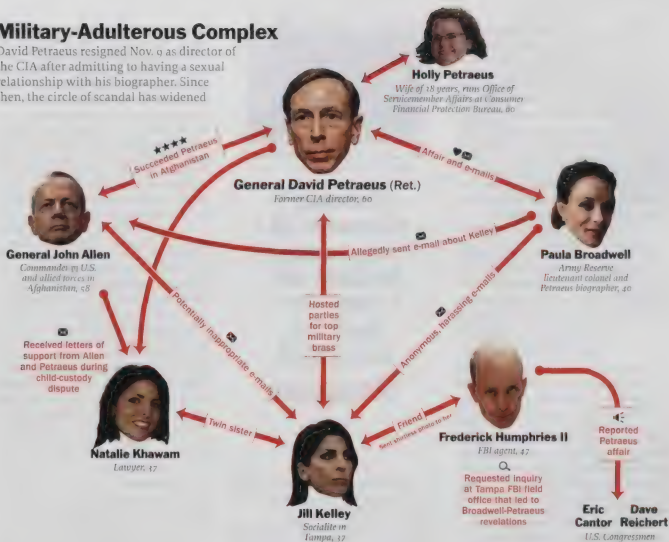
“The Party Is Canceled”

FOR PETRAEUS, THERE WOULD BE NO birthday celebration. On Nov. 7, the day he turned 60, he was preparing for his meeting with Obama the following afternoon, when he would tender his resignation. Two days later, when Broadwell turned 40, Petraeus publicly announced that he was stepping down after “engaging in an extramarital affair.” Broadwell was at a birthday dinner with her husband at the Inn at Little Washington in Virginia on the night news reports identified her as the woman involved. A hasty e-mail that evening from her husband to guests invited for a larger celebration said simply, “The party is canceled on Saturday. Thanks!”

Yet that was just the beginning. Friends and family said Jill Kelley was filled with remorse at her complaint’s unexpected impact on Petraeus, a longtime friend. The same forensic techniques that led to Petraeus’ resignation unearthed what Defense Department officials described as 20,000 to 30,000 pages of messages between Kelley and Marine General John Allen, who was deputy chief of the Tampa-based U.S. Central Command and then succeeded Petraeus as commander of U.S. and allied forces in Afghanistan. Those astonishing numbers, government experts said, greatly exaggerated the frequency of communication because the

Military-Adulterous Complex

David Petraeus resigned Nov. 9 as director of the CIA after admitting to having a sexual relationship with his biographer. Since then, the circle of scandal has widened



strict formatting requirements for documentary evidence mandated the inclusion of full headers, signatures and repetitive e-mail chains. Even so, there were at least hundreds of exchanges.

Allen, through associates, denied an affair with Kelley, a married mother of three. Some officials hinted, without specifying how, that the e-mails and other exchanges raise questions of impropriety. The brouhaha was enough to put Allen's nomination as NATO's Supreme Allied Commander on hold. While Obama issued a statement expressing confidence in Allen, it is no longer certain who will hold the top U.S. military assignment in Europe.

Meanwhile, Kelley's life and family were singled by the spotlight. Reports

cast doubt on the charitable work of the Doctor Kelley Cancer Foundation that Jill and her husband Scott Kelley had established, which spent little of its money on its declared missions "to conduct cancer research and to grant wishes to terminally ill adult cancer patients." Instead the foundation devoted most of its dollars to meals, entertainment, travel and auto and office expenses. Altogether, Kelley looked as if she were auditioning for the lead in *The Real Housewives of Tampa*.

The media excavation of the Kelley family fortunes further revealed that Petraeus and Allen took the step, unusual for current and former four-star officers, of intervening in a civilian child-custody case. District of Columbia Superior Court

Judge Neal Kravitz found Kelley's sister Natalie Khawam had misrepresented "virtually everything." But Petraeus and Allen averred that she was an honorable, loving and reliable mother. Kravitz apparently did not give them much credence. He awarded custody of Khawam's son to her estranged husband Grayson Wolfe, who once worked for the Coalition Provisional Authority in Baghdad.

By that point the public was obsessed with the details of a case whose players themselves seemed obsessed: law-enforcement officials revealed that the FBI special agent—Frederick Humphries II, according to the New York Times—who took Kelley's case to the Tampa field office in the first place had a personal

friendship with her that included his sending a shirtless photograph of himself. Law-enforcement sources said he repeatedly intervened to advance the case, to which he was not assigned, and in late October he telephoned two House Republicans, Dave Reichert and Eric Cantor, to report his belief—erroneous, law-enforcement officials insist—that Obama's Justice Department was covering up the case for unspecified political reasons. Humphries, according to the *Wall Street Journal*, is now the subject of an ethics probe by the FBI's Office of Professional Responsibility.

As for Broadwell, she instantly became an object of mass fixation, on everything from her Dickensian name to her fitness (she out-push-upped Jon Stewart on *The Daily Show*) to her vast "ambition," which depending on the headline writer was either an asset or a slur. Everything about the story twisted into knots the standard narratives about sex and power and values and victims and who exactly gets cast as the protagonist when two married people stray. A homecoming queen from North Dakota whom classmates voted "most likely to be remembered," Broadwell, like Petraeus, graduated from West Point, with academic, fitness and leadership honors. She earned advanced degrees at Harvard, where she first met Petraeus, and the University of Denver, and she was recalled to active duty three times after 9/11. On Twitter, she describes herself as an author, national-security analyst, Army vet, women's rights activist, runner, skier, surfer, wife and "Mom!" About three years ago, Broadwell settled in Charlotte, N.C., with her husband Scott, a radiologist in a local medical group, and their two sons. "Yes, I wear a number of hats," Broadwell told *Inspired Woman* magazine in February. "But my most important title is mom and wife."

Discretion or Protection?

THUS FAR IT IS UNDISPUTED THAT WORD OF the Petraeus affair first reached the White House on Wednesday, Nov. 7, the day after Obama's re-election, in a telephone call from Director of National Intelligence James Clapper Jr. to National Security Adviser Tom Donilon. Obama was celebrating with his family and staff in Chicago, and Donilon decided to hold the news until Thursday morning. Hours later, in the Oval Office, Obama told Petraeus he was



Petraeus and his wife with Jill and Scott Kelley and Natalie Khawam in Tampa

**'I really screwed up,'
Petraeus
told his old
mentor
over the
weekend**

not ready to accept the CIA chief's resignation. "He wanted to sleep on it," an Administration official says.

By Friday, there was no saving Petraeus. The Justice Department informed the White House Counsel's office of the discovery of Allen's voluminous correspondence with Kelley. Allen's nomination for the NATO job, with Senate hearings set to begin within days, was put on hold and risked being withdrawn. It was the second time in three days that Obama had been caught unaware by long-simmering investigations within his government. "The President," said White House spokesman Jay Carney, "was obviously surprised."

Should Attorney General Holder have informed the President sooner? "I am withholding judgment," the President told reporters. The unexpected discovery of Petraeus in the Kelley case put the Justice Department in a bind. Nobody wants to return to the days when J. Edgar Hoover used the secrets in his files for political advantage, so deciding what to tell the White

House about the private lives of public figures requires great discretion. White House advisers say they are content for the Justice Department to follow its established protocols. But federal officials have offered conflicting and sometimes inaccurate explanations of what the protocols say.

One senior law-enforcement official says a 2007 memo by Bush Attorney General Michael Mukasey set strict limits on White House–Justice communication in criminal investigations. "Alerting the White House of an ongoing investigation? That's a huge no-no," the official says.

But the Mukasey memo said something quite different. In criminal cases, it said, justice should balance the value of secrecy from the "law enforcement perspective" against the information "important for the performance of the President's duties." And in national-security cases, the memo specifically stated that no such restriction applied. Mukasey tells *TIME* that an ongoing extramarital affair by the CIA chief is a potential national-security issue. "They know enough at the point that his name turns up," Mukasey says. "He's doing it on a Gmail account, which any intelligence agency in the world would want to know about, and if they did know about, would feel in a position to use."

Into the Woods

THE VOICE ON THE PHONE WAS HEAVY AND slow, with a sadness that retired General Jack Keane had not heard from Petraeus before.

"I really screwed up," Petraeus told his old mentor over the weekend as the scandal swelled around him. That was something of an understatement, as his 37-year career, the future leadership of the CIA, the performance of the FBI and the Attorney General and the career of a top U.S. combatant commander were all suddenly thrown into jeopardy. "This is my fault, and I'm devastated by the pain and suffering that I've caused," Petraeus told Peter Mansoor, one of his old brain-trust colonels. He said that "what he did was a morally reprehensible action," Mansoor says.

Mistakes have not been a Petraeus hallmark. After graduating from West Point in 1974, Petraeus clambered up the Army's greasy pole, moving from field assignments to graduate school—he earned a Ph.D. from Princeton in 1987—and serving as an aide to powerful generals,

including an Army chief of staff, a NATO military chief and a Chairman of the Joint Chiefs. He began to lap his comrades in 2003, when he led the 101st Airborne into Iraq and north to Mosul. His star rose even higher in 2007-'08, when he returned to Iraq and shifted, midwar, to a counter-insurgency strategy based on protecting civilians with help from a 30,000-strong U.S. troop surge. His success in aborting an Iraqi civil war prompted President Bush to put him in charge of the entire U.S. Central Command in 2008, where he oversaw the wars in Iraq and Afghanistan.

But in military circles, Petraeus had always been a more controversial figure than his reputation suggested. He developed a cultlike staff, which isn't unusual among generals, though Petraeus' retinue seemed excessively devoted to their boss. He was as adept at cultivating politicians and reporters as he was at engaging the enemy. Neoconservatives saw him as their standard bearer as the Iraq conflict they had championed bogged down. "Petraeus is a remarkable piece of fiction created and promoted by neocons in government, the media and academia," argues Douglas Macgregor, an outspoken retired Army colonel. "How does an officer with no personal experience of direct-fire combat in Panama or Desert Storm become a division commander?"

Petraeus' move from rock-star four-star to head of the CIA in 2011 came as a surprise in Washington. He had served only a year in Afghanistan and seemed destined to rise to the top of the military at the Joint Chiefs of Staff. But former CIA director Bob Gates told him otherwise: Obama's White House did not want him in that role. It was Petraeus' idea, in response, to move to Langley, a close friend says. That solved a lot of problems for Obama, allowing him good use of the general's talents and diverting him from a possible presidential bid. Cashing in the uniform he had worn since West Point to decamp to the wooded enclave of Ph.D. analysts and hardened spy runners at Langley was not just a dramatic career shift for Petraeus; it was also a move that had little precedent in recent agency history. Gates told Petraeus before he arrived to leave his boarding party behind: past directors who had arrived with an entourage, like Porter Goss and John Deutch, had not been well received.



Petraeus with biographer Broadwell last year

Petraeus, Broadwell said, rejected the idea of her Senate run out of hand

At his confirmation hearings, Petraeus said he'd use his star status to recruit the best agents and analysts available for the agency. He also suggested he would lose his posse: "If confirmed, I will, in short, get out of my vehicle alone on the day that I report to Langley."

But many senior officers, even those who aren't as accustomed to aides and horse holders as Petraeus was, can find leaving the Army a challenge, and Petraeus seems to have had some trouble adjusting to the CIA. The agency is strange, rigorous and demanding, as moody as it is secretive. "The agency is not a militaristic organization," says a senior former intelligence official. "They don't welcome people barking orders without debate." Petraeus turned up at one event in a suit with his Army medals pinned to his jacket.

"The Election Played No Role"

BY THE TIME PETRAEUS GOT TO THE CIA, Broadwell had been working closely with him for years. Her sugary biography

of him, titled *All In*, came out in January 2012. She allowed herself more freedom than most to use nicknames for Petraeus that others might not have chosen to write down: Dangerous Dave, even Peaches. But she was careful to position herself as a serious biographer, not a fan. In a February appearance with celebrity interviewer Arthur Kade, she volunteered, unprompted, "You know, it's not a hagiography. I'm not in love with David Petraeus, but I think he does present a terrific role model for young people, for executives, for men and women." Former Petraeus aide and Army Brigadier General Peter DeLuca thinks he understands what happened. "The guy is supergifted, superdetermined, supercommitted. He's the closest thing most of us have ever met to a superman, but he's still a man."

Nor was Broadwell without a larger plan. After running with Lance Armstrong in July, she volunteered her secret purpose to at least six new acquaintances at the Aspen conference. That evening, over drinks, she told a small group that she had been arguing with her mentor about the direction of her career. Republican moneyman, she said, had approached her about a Senate run in North Carolina. She was tempted. Petraeus, she said in an irritated tone, rejected the idea out of hand. What was her position, he asked, on abortion? Climate change? Gun control? Gay marriage? Tax cuts? Social Security vouchers? Her answers, he told her, would not fit either party, and she should not sell herself out.

How did Petraeus stay on as top spy after case agents notified FBI Director Robert Mueller last summer that Petraeus was concealing an extramarital affair? And that his e-mail habits were hardly prudent? Vulnerability to blackmail or extortion is usually seen as the paradigmatic counterintelligence threat. After Mueller and Holder were notified, it was about two months before the two men dispatched FBI Deputy Director Sean M. Joyce to notify Clapper late on Election Day.

Adultery is prohibited under the Uniform Code of Military Justice. And "depending on timing, it's very significant for the head of the CIA," argues Glenn Fine, the Justice Department's former inspector general. The regulations left Mueller and Holder wide discretion.

"We struggled with this," said a participant in the internal debate, but they satisfied themselves early on that "there were no national-security concerns. He hadn't been hacked, hadn't shared classified information, and [other than that] you don't reveal ongoing criminal investigations, because people get tipped off or there may be investigative things you want to do that are then precluded." Why, then, tell Clapper about the adultery at all, even when the case was ready to close? "We wrestled with that," the official says. "Ultimately we made the determination that although we felt there was not a national-security threat, it was for Clapper to know this stuff or somebody to know this stuff and then decide what to do with it."

Agents confronted Broadwell with their findings on Friday, Nov. 2. The agent's interview report, on form FD-302, did not reach headquarters until late afternoon on Monday, Nov. 5. Mueller and Holder reviewed it the morning of Election Day and decided that the time was ripe for informing Clapper of the case.

Pure coincidence? "The election played absolutely no role," the official says.

Decline and Fall

THERE WAS PLENTY ABOUT THE PETRAEUS affair that played more as farce than as tragedy. But virtually everyone involved exits the stage badly damaged. Jill Kelley's days as a liaison to any government agency or official are over, a caution to every base commander in the military. Allen's future is on ice; he may someday become the top U.S. general in Europe, but his nomination is frozen and his fate is now in the hands of a Pentagon investigation that is unlikely to give him an easy pass. The hard-charging Broadwell denies having unauthorized access to secrets but could face new questions after an FBI search of her Charlotte house. And that discovery, in turn, could raise fresh questions: Did agents miss anything comparable in their parallel investigation into the Petraeus-Broadwell relationship or into the CIA chief's exposure to hacking risks? The bureau, which for decades has done an excellent job protecting its interests on Capitol Hill, owes the nation accountability for its performance in this most delicate and unpleasant of

Covert Ops. How Petraeus failed to cover his tracks

In some ways, David Petraeus and Paula Broadwell prove a point about human nature that is often made by security experts: **very few of us have the discipline to protect our privacy consistently, even when intensely personal matters are concerned. We are inattentive to things we know about (cameras on elevators), disregard uncomfortable facts (employers log Web browsing) or give in to convenience (e-mailing a password).**

Still, friends remain astonished that the CIA director and an Army Reserve intelligence officer did so little to conceal a transgression with such high stakes.

"For a guy who's pretty savvy, even if he was going to succumb to this temptation, it's a surprise he'd write it down,"

says Brigadier General Peter DeLuca, commander of the U.S. Army Engineer School, who served two tours in Iraq as one of the "smart boys" around Petraeus.

CIA security director Mary Rose McCaffrey alluded in October to the steps her aides routinely took to protect Petraeus from the intense scrutiny of foreign intelligence agencies: **"He's so visible that literally every day we scan his computer,"** because he has both his classified computers and his unclassified computers. She added, presciently, "He has been so educated in this new job, and he is so smart and so good at this, but even four-stars have room to learn."

If he learned, it did not show. **The chief spook and his paramour took absurdly inadequate steps to cover their tracks,** as if they did not really want to bother. They used fake names to create free webmail accounts but not commercial VPNs or the more robust Tor service to mask their Internet addresses. **They exchanged messages in the clear, without using freely available encryption tools.**

For some exchanges, Broadwell and Petraeus used a long-outmoded terrorist technique: they shared an e-mail account, with one saving a message in the Drafts folder and the other deleting it after reading it. Though terrorists once believed this electronic dead drop sidestepped surveillance, federal prosecutors have openly acknowledged since 2003 that it does not work. —BARTON GELMAN

investigations. Some of that should be in open hearings. But only a detailed chronology of the investigation, offered behind closed doors to the relevant committees, should satisfy Congress.

Most troubling is the judgment made at the highest levels of law enforcement not to inform the President. It's hard to see why Obama wouldn't expect his FBI director and the Attorney General to inform him when the country's spy chief is recklessly exposing himself and his mistress to potential blackmail, whatever the special rules and protocols in the binders at Main Justice. That's common sense in a democracy. The White House says such a call could have raised concerns about political interference, but given the national-security stakes, the absence of a call raises greater concerns about proper Executive oversight of national security.

With regard to Petraeus, who did such an amateurish job of hiding an affair while working as the nation's top spy, the scandal stunned many in and out of uniform. But it was a measure of how out of touch Petraeus had become that he and apparently a number of other people thought he could stay at the agency after the affair had become known and partially exposed. That is misjudgment of the highest order and has generated considerable shock among former agents and officials, even among those who view Petraeus' downfall as a personal tragedy. "A lot of power comes from moral authority," says former CIA boss Michael Hayden, "because you are asking people to do stuff that is really on the edge legally and politically, and they have to sense that you're the guy they can trust."

David Petraeus has never been shy or retiring, particularly in a crisis, and it is unlikely that a man who takes his public image so seriously will remain silent forever. Friends say he is pondering how best to take responsibility in a fuller, more public way. Until then, the most celebrated general of his generation has just answered the question he famously asked in a very different context nearly a decade ago: "Tell me how this ends." —WITH REPORTING BY MASSIMO CALABRESI, JAY NEWTON SMALL, ALEX ROGERS, MICHAEL SCHERER AND MARK THOMPSON/WASHINGTON ■

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SEASIDE HEIGHTS, N.J., NOV. 4

The Star Jet roller coaster at Casino Pier amusement park, once a Jersey Shore landmark, remains partly submerged in the Atlantic.



A photograph of a beach with a cloudy sky and ocean waves. The sky is filled with large, dark, dramatic clouds. The ocean is a deep blue, with white foam from breaking waves visible in the distance. The beach is a light tan color, and the water's edge is visible in the foreground.

NATION

FLOODED.
UPROOTED.
BURNED.
**THE TRACKS
OF SANDY**

PHOTOGRAPHY BY STEPHEN WILKE FOR TIME



BREEZY POINT, N.Y., NOV. 4

Firefighters still don't know what started the flames that swept through this community on the tip of the Rockaway Peninsula the night Sandy made landfall. As the fire consumed more than 100 homes, they struggled to help, kept away at times by the impassable ocean surge. Now only a scar remains—of concrete foundations and staircases leading nowhere. "I think we're just all in shock right now," says Muriel Zwick, a 50-year resident of the neighborhood, where her sister and aunt also own homes. "We really don't know what to do next."





STATEN ISLAND, N.Y., NOV. 9

"The first two or three days were absolute chaos," says James P. Molinaro, borough president of Staten Island, where powerful waves and winds ripped homes like this one from their foundations. "Some 17,000 homes had been flooded. About 140,000 people didn't have electric. Family members didn't know where relatives were." Federal supplies began to arrive on the fourth day, but Molinaro expects it'll be six months before the island fully recovers. "We have the resilience. We have the support of the federal government. And we have the love for one another. It's just going to take a while."





JACOB RIIS PARK, QUEENS, N.Y., NOV. 9

In Sandy's wake, this beachside park has become a temporary dump, one of three locations collectively storing some 250,000 tons of debris gathered by the New York City sanitation department to date. "The amount of debris was staggering," says Joseph Hickey, assistant chief of cleaning operations. "I have never seen anything like it in my life, and I worked on cleanup after 9/11." Private contractors and government agencies have started the removal process, and if cleanup efforts stay on schedule, Hickey says, he expects the park to reopen by summer. —REPORTED BY ERIK SELSUN



WHY STOCKS ARE DEAD

(And Bonds Are Deader)

The future according to two of the financial world's top oracles—and what we can do about it

BY RANA FOROOGHAR/NEWPORT BEACH


NEWPORT BEACH, CALIF., IS AN unlikely headquarters for the world's foremost bond traders. Its placid harbor is filled with pleasure boats, its beaches with surfers enjoying the waves. You won't find wildly gesticulating traders or bosses in pinstripe suits like on Wall Street. PIMCO's traders look more like diligent graduate students who've taken to the library despite the sparkling sunshine. They sit in academic quiet, collecting rays from their triple-screened Bloomberg terminals in a long room lined with awards and books on investing and economic theory, some of which they've authored. Staffers are encouraged to publish their views

to get feedback from the wider world, which can inform their decisionmaking.

The co-chief investment officers of the firm, Mohamed El-Erian and Bill "the Bond King" Gross, keep the same crack-of-dawn hours as the local surfers, whom Gross likes to observe, though not from his modest office, which doesn't have much of a view. He has to go down to the beach, since PIMCO has no privileged corner offices. He likens surfing to investing, which is "dominated by the wave of either public opinion or institutional opinion, which moves prices forward. If you are negative and you refuse to believe in the wave, then you can't surf. The point is that when you are surfing, you want to ride the wave, but you also want to



Photograph by Gregg Segal for TIME

A photograph of two men, Mohamed El-Erian and Bill Gross, standing on a staircase. They are both wearing dark suits. El-Erian is on the left, looking upwards, and Gross is on the right, looking towards the camera. The background is a dark blue sky and a concrete structure.

Trend enders Mohamed El-Erian, left, CEO of PIMCO, and Bill Gross, the company's founder; the two are also co-chief investment officers of the bond fund

recognize that there's a crest and that ultimately a good surfer has to kick out."

Or wipe out when the wave crashes. And the money wave, says Gross, may be ready to crash.

To understand why, you have to understand how PIMCO, like everyone else in the market over the past few years, has been riding the crest of money funneled into the economy by the Federal Reserve, which has, through its three rounds of quantitative easing, been buying vast quantities of U.S. bonds and, more recently, mortgage-backed securities. That's one reason the stock market took off earlier this year, as the Fed's moves pushed buyers into riskier assets like equities. PIMCO, which manages nearly \$2 trillion, has surfed this money wave well: its flagship Total Return Fund has outperformed its category for the past five years, returning 9.7% this year, nearly 3 percentage points better than the category.

Yet PIMCO has grown wary of the wave—and maybe you should too. Gross recently stunned the markets by calling equities a Ponzi scheme and warning investors they will never see 6% real returns again and would be lucky to get 3%. Gross and El-Erian believe there will ultimately be a price to pay for the Fed's money infusion in the form of return-eroding inflation and other economic distortions. When that happens, real growth (already sluggish) will stagnate further, borrowing costs will skyrocket, stocks will swoon, real estate will struggle and consumers will hunker down. It will be like the 1970s but with less room for productivity gains. All this is compounded by the fact that finance as a fuel for capitalism is tapped out. Growth-killing inequality is rising. And the rich aren't paying enough taxes, especially in an era when lower returns will change retirement plans for millions. Without major policy changes, Gross and El-Erian believe, the U.S. won't have the mojo to grow beyond a 2% economy anytime soon.

In other words, some of the world's best surfers are saying, Get out of the water.

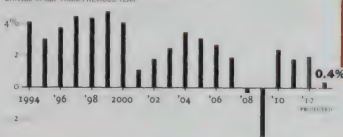
The Ripple Effect

THE MONEY WAVE HAS BEEN BUILDING NOT just for the past four years but for the past 30. Historically the economy has tended to move in three-year boom-bust cycles. But since the 1980s, central bankers worldwide have begun to use low interest rates and large cash infusions to ease, smooth and stretch those cycles. Politicians, all too

The New Normal

Experts predict the U.S. economy will continue to crawl along as the vast majority of Americans are forced to keep scrimping

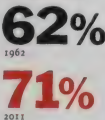
The economy will stay on its slow-growth path
CHANGE IN GDP FROM PREVIOUS YEAR



The Congressional Budget Office's 2012 GDP growth forecast is 2.4% and the Fed's target is 2% to 3%

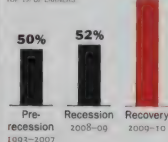
The U.S. is an ever more consumer-driven economy

CONSUMER SPENDING AS PERCENTAGE OF GDP



The biggest group of spenders—the middle class—isn't reaping recovery dollars

PERCENTAGE OF INCOME GROWTH GOING TO TOP 1% OF EARNERS



Instead of spending, we are paying down (or defaulting on) debt

RECOVERING DEBT IN TRILLIONS



happy to provide voters with a cushy ride, have played along. So has the public, taking advantage of the easy-money environment to assume record amounts of debt to buy stocks and houses, hoping their value would keep rising so we could buy more of everything else. That didn't happen. Postcrash, we've only just started to pay down debt, and we have several more years to go, according to analysts like Harvard's Ken Rogoff.

It's a chicken-and-egg cycle: the financial crisis demanded that the Fed pump even more money into the system to avoid a depression. But Washington, which should have then helped remedy the situation with growth-enhancing programs like job retraining, New Deal-style infrastructure building and bigger investments in energy and education, has remained gridlocked. (The PIMCO folks would have liked to see an even larger, sharper stimulus directed toward projects with longer-term job-growth potential.) That added political risk to the model, most recently in the form

of the so-called fiscal cliff as the Obama Administration and the GOP face off over deficit and debt reduction.

Washington's inability to do anything, says Gross, has shaped his positively biblical view of the slow-growth future. "It's sort of a seven-years-feast-and-seven-years-famine-type situation," he says. "And we've been feasting for 20 or 30 years." The nonpartisan Congressional Budget Office, which predicts 2.4% yearly growth as far ahead as 2022, seems to agree. Keep in mind that any annual-growth figure of less than 3% limits our national wealth and well-being in the long term.

Navigating Troubled Waters

GIVEN THIS DOWNER OF A FORECAST, HOW are we supposed to invest? Keep it real, says the PIMCO pair. "What we try to do is tell clients, Almost anything that we do in the future won't be as high-returning as what you are used to," says Gross. "The double-digit returns, which are the result of both credit expansion and the wave [of globalization

WEATHERING THE STORM

Bond king Bill Gross gives his take on winners and losers

Picks

- COMMODITIES LIKE OIL AND GOLD
- U.S. INFLATION-PROTECTED BONDS
- HIGH-QUALITY MUNICIPAL BONDS
- TOP-QUALITY CORPORATES
- NONDOLLAR EMERGING-MARKET STOCKS

Pans

- LONG-DATED DEVELOPED COUNTRY BONDS FOR THE U.S., U.K. AND GERMANY
- HIGH-YIELD BONDS
- FINANCIAL STOCKS FOR BANKS AND INSURANCE COMPANIES

PIMCO's Total Return Fund, the world's largest mutual fund, has outperformed the S&P 500 since the downturn



Sources: CBO; Bureau of Economic Analysis; Environmental Data; University of California; Barclays; Federal Reserve

and growth] since the 1970s, are in the past. And everything—whether it's a stock or real estate, and certainly bonds—is going to be much lower-returning simply because it's all been brought forward by zero interest rates and the Fed. There's a finite end to that. So how do we navigate in this type of a world? We look for the cleanest dirty shirts."

That's the sort of quip that Gross and El-Erian have become known for. Nearly every investor knows Ben Bernanke's money party can't last, but few sum up this wisdom as succinctly as PIMCO, whose economists and traders are encouraged to simplify complexity by creating pithy taglines for their investment philosophies, many of which get picked up by the financial press. Gross has a coffee mug emblazoned with one of his: DON'T FIGHT THE FED—BUT BE AFRAID.

He likes to drink from this mug at the up to three-hour investment committee meetings that he and El-Erian hold almost daily with key employees to discuss what's happening in the markets. Back in 2005

the discussion was about how the investment world had fallen in love with the idea of a Goldilocks economy—the notion that markets were in a long period of growth and stability, neither too hot nor too cold, thanks to the wisdom of the world's central bankers and the seemingly endless growth of emerging markets.

Gross, El-Erian and the PIMCO crew had another term for it: stable disequilibrium. Markets seemed calm, but the underlying fundamentals were anything but sound. Not only were financial institutions over-leveraged, but both income inequality and the household-debt-to-GDP ratio were growing faster than they had since the era leading up to the Great Depression. Living and working in Southern California rather than in the financial fortresses of Wall Street and the City of London provided Gross with a unique view of just how unstable the housing market in particular was becoming. Newport Beach is a little more than an hour's drive from San Bernardino and Stockton, which were among the hardest-hit areas in the housing crisis. Eager to understand what was happening on the ground, he pulled a junior credit analyst off his desk and told him to go to seven cities and pretend to be a home buyer. The results proved what we all now know: you barely had to have a pulse to get a mortgage.

In late 2005, PIMCO started warning its investors to get out of mortgage-backed securities and housing-linked derivatives. Later the company made a fortune by getting back into the housing game after values plummeted, buying up government-backed loans. (PIMCO also bet correctly on a government bailout of GMAC, GM's financing arm.)

Market Shapers

GROSS ISN'T ALL-SEEING, AND HIS TRADING record includes some whoppers, like the failure to ride the wave on long-dated

Treasuries in 2011. But despite the occasional miss, Gross and El-Erian have solidified their already important role as major financial insiders. Treasury has the two on speed dial. El-Erian, a macro-economist whose name comes up in discussions about who will be the next World Bank head or Treasury Secretary (he says he hasn't been approached to replace Timothy Geithner at Treasury and is very happy at PIMCO), flies around the world giving advice to leaders such as German Chancellor Angela Merkel and European Central Bank president Mario Draghi.

Much of PIMCO's good fortune over the past several years is due to Gross's canny trader instincts, which he honed at blackjack tables in Las Vegas after college. (A stamp collector and yoga enthusiast who grew up in the Midwest, he studied psychology at Duke and has an M.B.A. from the Anderson School of Management at UCLA.) But a good chunk may also come from El-Erian's sophisticated worldview. The son of an Egyptian diplomat, El-Erian grew up in places like New York City, Paris, Geneva and Cairo, was educated at Harvard and eventually became a deputy director at the IMF before taking over PIMCO's emerging-market bond fund from 1999 to 2005. He then left briefly to run Harvard's endowment fund, to mixed reviews, and returned to PIMCO at the end of 2007. As a developing-world specialist, he's seen a debt crisis or two—which is one of the reasons he was less likely to buy into the idea that highly leveraged institutions selling spliced and diced securities was simply the next evolution of capitalism, as did many at the time. "We never believed the bull ..., basically," says El-Erian. "We never believed that finance can just exist [separate from the real economy]."

Both Gross and El-Erian nurture contrarian views. Many PIMCO staffers are given training in behavioral economics to better understand their biases about people, culture and finance and how they might be influencing their decisionmaking. That's perhaps in part why PIMCO was quick to see, post-2008, the passing of an era. Things that once seemed unthinkable—the U.S. flirting with default, unlimited central-bank money dumps—were suddenly happening. While most experts (including those within the Obama Administration) were plotting how to move from recession

'What we try to do is tell clients, Almost anything that we do in the future won't be as high-returning as what you are used to.'

—BILL GROSS, PIMCO FOUNDER AND CO-CHIEF INVESTMENT OFFICER

back to the trend growth rate of 3% or 4%. PIMCO was grappling with the idea that 2% growth might be the new normal not for a couple of years but for decades.

Welcome to the New Normal

BY 2009, GROSS AND EL-ERIAN HAD COME UP with their seminal paper on the new normal, which has become a catchphrase for describing our current reality of painful deleveraging, polarized politics and a slow-growth, bifurcated economy in which multinational corporations and plutocrats flourish but everyone else struggles. In his most recent investment note, issued at the end of October, Gross makes the very sharp point that while consumer spending, stock prices and housing have been goosed by the Fed, we're still not saving and investing as a society. Consumers may have saved a bit more postcrisis, but the U.S. net national savings rate—government, household and corporate savings left after depreciating assets are taken out of the equation—is still hovering just below zero. That's lower than at any other point since the Great Depression. "Surely by now, if the Bernanke model as advertised, we would be seeing a ... willingness to start saving seed corn as opposed to eating caramel corn," writes Gross.

Although they sound like Fed bashers, Gross and El-Erian blame politicians rather than central bankers for our woes. At least the Fed stuck a finger in the dike. The politicians stuck their thumbs elsewhere. Gross, a Republican who voted for Obama in 2008 and again this year mainly because he believes the President's stance on taxes is fairer (El-Erian is a Democrat), says, "Neither party really seems to understand that credit as a fuel for capitalism is basically exhausted. We're running on a hybrid now, as opposed to an eight-cylinder Chevrolet Impala like in the late 1960s."

The two do not see cutting tax rates a few percentage points or rolling back regulation as a solution. Gross believes that the last time supply-side economics worked to stimulate the economy was in the 1970s, when taxes were being cut from much higher rates. Nor should we expect a manufacturing renaissance, the Democrats' panacea, to spur a recovery when our major export markets are suffering.

But while they don't favor simple tax cuts, they believe inequality is the biggest economic headwind out there. After all, how can you have a sustainable recovery in an economy that's 70% fueled by consumer spending when 90% of the income gains

since the recovery began have accrued to the top 1%? "Over the last several decades, companies have taken profits at the expense of individuals," says Gross. "A lot of people aren't being paid enough to spend."

Personal income is at least one issue that we can address—unlike, say, the euro-zone crisis, the slowdown in China or turmoil in the Middle East. Gross and El-Erian, who are solidly in the 0.1%, put tax reform tops on the to-do list. And both subscribe to the Warren Buffett school of taxes—that going from a 35% top tax rate to 39.6% wouldn't drive entrepreneurs abroad and that continued bifurcation in the U.S. workforce means the rich will need to do more for the team.

There will be some moderating forces. Productivity increases from things like mobile technology and the shale-gas boom could create jobs and make it cheaper to do business in the U.S. But the new normal will simply continue to be so disruptive in the short term, say the oracles at PIMCO, that wealth redistribution via tax reform is a must for creating a society that's socially cohesive enough to weather several more years of slow growth. "There should be tax reform where the wealthy pay more and corporations pay more but we end up with a more efficient system," Gross says. That system, he adds, should be devoid of tax breaks that just put money in rich people's pockets but include ones that encourage real investment.

Beyond that, the pair's prescriptions are very much a page out of the Simpson-Bowles playbook: medium- and long-term entitlement cuts to restore the U.S.'s creditworthiness and prepare for the day when interest rates (and costs on our debt) will rise. And in the shorter term, it's all about anything that can create real economic growth and jobs—an infrastructure bank, an FDR-style big dig, major investment in education, and labor-force retraining, particularly for younger people. "Youth unemployment is

becoming an epidemic," says El-Erian. "This is the first generation that's seriously at risk of doing less well than their parents."

Making 2% Growth Pay Off

EL-ERIAN AND GROSS PUT MUCH OF THEIR sizable personal philanthropic efforts into education, donating tens of millions of dollars to scholarships and financial aid in the U.S. and abroad. And there will likely be more big donations to come, since even in the new normal, PIMCO normally figures out how to make money. "On the first Friday of every month, I'm completely conflicted," says El-Erian. "The investor side of me is really looking forward to the employment report because we have had a better call on it and linked it much better to what it means for our clients' money. But the citizen side of me looks at what's happening to workforce participation and unemployment. Is it still at a record high? What's the percentage of youth unemployed?"

Still, he places his bets. The stock market as a whole may be a Ponzi scheme, but according to El-Erian and Gross, blue chips have become the new bonds. Multinational franchise firms (think Coca-Cola, Procter & Gamble and IBM) can spread risk around the world while delivering a 3% inflation-beating dividend. Well-capitalized, growing firms that are under-valued because they are in beleaguered markets (Spain's Santander Bank, which is expanding rapidly in Latin America, is a good example) are also smart plays.

While political risk in the U.S. makes Gross shy away from long-dated bonds, he's keener on the higher-yielding debt of countries like Mexico and Brazil (which El-Erian praises for grappling with issues of inequality). PIMCO is still hot on housing and anything housing-related, like timber stocks and construction firms.

After all, the Fed's last round of quantitative easing was focused on mortgage-backed securities, and PIMCO has a chunk of them in its portfolio. Of course, it also has a big chunk of assets in cash, which is only logical for the prophets of the new normal. That's not a state of affairs that Gross—who recently joked that the yield on one of his money-market accounts over the past year wouldn't even have bought his wife a new pair of shoes—likes much. So he and El-Erian continue to plot and plan and invest in the new normal, watching the horizon for the crest of that money wave, hoping to keep riding it for a while longer before it finally crashes to shore. ■

'This is the first generation that's seriously at risk of doing less well than their parents.'

—MOHAMED EL-ERIAN, PIMCO CEO
AND CO-CHIEF INVESTMENT OFFICER

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Founding Fair Play

Political campaigns were just as bitter two centuries ago. How Thomas Jefferson cooled tempers, wooed enemies and expanded the power of the presidency

BY JON MEACHAM

IT HAD BEEN A BRUTAL RACE. TWO HUNDRED twelve autumns ago, in the campaign of 1800, Thomas Jefferson and John Adams faced off over the future of the young nation. Each believed the other's election would be cataclysmic. For Jefferson's Republicans, Adams, a Federalist, was an incompetent President and an aspiring monarch. Americans, one Republican wrote, "will never permit the chief magistrate of the union to become a King instead of a President." For Federalists, Jefferson was a radical infidel. The *Gazette of the United States* told voters to choose "God—and a religious President" or "Jefferson—and no God."

Through an electoral quirk, Jefferson wound up with the same number of Electoral College votes for President as his running mate, Aaron Burr of New York. Thus began a season of chaos in the new capital along the Potomac. The election went to the House of Representatives—and no one knew what would happen. "The crisis is momentous!" wrote the *Washington Federalist*. Along the mid-Atlantic, Jefferson partisans considered arming themselves to march on the capital.

The voting in the House was agonizingly slow. Lawmakers slept on pallets. The weather was terrible. An ailing Representative, Joseph Nicholson of Maryland, was carried through the snow on a stretcher and set up in a room next to the House. Finally, at 1 p.m. on Tuesday, Feb. 17, 1801, on the 36th ballot, Jefferson prevailed.

Two centuries later, in the wake of another closely fought election, between Barack Obama and Mitt Romney, the story of Jefferson sheds light on the enduring nature of partisanship and suggests ways a President can come out the other end of a vicious contest to govern effectively.

Jefferson loved his books, his farms, good wine, architecture, Homer, horseback riding, history, France, the Commonwealth of Virginia and spending money. He drove fast, relished long walks in the woods and considered the sun his "almighty physician." A master of emotional and political manipulation, he was, like most politicians, intoxicated by approval and obsessed with his reputation. As a planter, lawyer, legislator, governor, diplomat, Secretary of State, Vice President and President, Jefferson spent much of his life seeking control over himself and over the lives and destinies of others.

He brought these decades of political experience to the challenge of uniting the country in 1801. He knew what he needed to do. The "duty of the chief magistrate," Jefferson once said, was "to unite in himself the confidence of the whole people" to "produce a union of the powers of the whole, and point them in a single direction, as if all constituted but one body and one mind." The re-elected President Obama might consider the following lessons from Jefferson's instructive presidency:

1. PRACTICE FORBEARANCE

Acknowledge obvious truths; your audience will appreciate being treated seriously. In his Inaugural Address, Jefferson offered a powerful brief for freedom of opinion. He understood that substantial elements in the country were unhappy to see him take the oath, and he sought to make the best of the hour by reminding Americans that politics requires forbearance. "All ... will bear in mind this sacred principle, that though the will of the ma-

jority is in all cases to prevail, that will to be rightful must be reasonable; that the minority possess their equal rights, which equal law must protect, and to violate would be oppression. Let us, then, fellow-citizens, unite with one heart and one mind ... Every difference of opinion is not a difference of principle. We have called by different names brethren of the same principle. We are all Republicans, we are all Federalists."

The address was a political masterpiece. His avowed enemy Alexander Hamilton admitted that it was "virtually a candid retraction of past misapprehensions, and a pledge to the community, that the new President will not lend himself to dangerous innovations, but in essential points will tread in the steps of his predecessors."

At best, Jefferson hoped for a covenant between him and his opponents. His message: Let us meet the political challenges of the country together, try to restrain the passions that lead to extremist, apocalyptic rhetoric that poisons the public sphere, and perhaps politics could become a means of progress, not simply a source of contention.

2. PLAY BIG

Try to think big and act big; time is short. Jefferson's ambition for the nation was limitless. He was to spend his presidential years, he said, "pursuing steadily my object of proving that a people, easy in their circumstances as ours are, are capable of conducting themselves under a government founded not in the fears and follies of man, but on his reason."

Critics of Jefferson then and since have



Jefferson understood that substantial elements in the country were unhappy to see him take the oath, and he sought to remind Americans that politics requires forbearance

to double the size of the country. The philosophical Jefferson would have gone to the nation for a constitutional amendment to authorize the purchase; the pragmatic Jefferson, realizing Napoleon might change his mind, acted unilaterally—and fast.

4. **KNOW YOUR ENEMY**

Dine with friend and foe alike. When Congress was in session, Jefferson entertained constantly. It tends to be more difficult to oppose—or at least to vilify—someone with whom you have broken bread and drunk wine.

Jefferson was ruthless about the use of his limited time in power. To create an ethos of suprapartisan civility would have required bringing politicians of opposing views together under his aegis. He disliked confrontation so much, however, that he forwent inviting Republicans and Federalists to dine with each other. The possibilities of conflict in a setting designed to promote harmony and comity were too great. He chose, then, to use dinner at the President's house partly as a means of weaving attachments to him. As at Monticello, it was his stage and his production.

Close, bitter elections are an American tradition, yet the Jeffersonian example shows us that shrewd Presidents can lead the country—or a substantial portion of it—out of the chaos in order to do big things for the nation that Jefferson believed to be the “world’s best hope.” ■

Adapted from Thomas Jefferson: The Art of Power by Jon Meacham, published by Random House



argued that his vision of an agrarian nation with a weak central government puts him on the wrong side of history. It was Hamilton, it is often said, who correctly anticipated a future that would require a system of capital and large-scale action to create the means of national greatness.

From warmaking to economic life to territorial acquisition to federal spending to subpoenas and the sharing of information with Congress and the courts, however, Jefferson maintained or expanded the authority of the presidential office. The Republican rhetoric of limited and minimal government was heartfelt, but Jefferson reached the pinnacle by acting practically.

The Hamiltonian critique of Jefferson, while familiar, is not wholly fair. “One imputation in particular has been repeated till it seem as if some at least believed it: that I am an enemy to commerce,” he wrote a correspondent in February 1801. “They admit me a friend to agriculture, and suppose me an enemy to the only

means of disposing of its produce.” The presidency he left in 1809, moreover, was rich in precedent for vigorous, decisive and often unilateral action. It is not too much to say that Jefferson used Hamiltonian means to pursue Jeffersonian ends. He embraced ultimate power subtly but surely, savoring authority while pretending not to.

3. **KEEP OPTIONS OPEN**

Depart from dogma; governing and philosophical purity are incompatible. Jefferson was realistic. He wrote that when “we reflect how difficult it is to move or inflect the great machine of society, how impossible to advance the notions of a whole people suddenly to ideal right, we see the wisdom of Solon’s remark that no more good must be attempted than the nation can bear.” To purchase Louisiana, for example, he put aside his strict constructionist, small-government ideology to exert broad presidential power

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Elvis Presley plays for fellow servicemen at an Army barracks in Germany in 1958, from the exhibition "War/Photography" at the Museum of Fine Arts, Houston

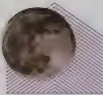
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The Culture

50 POP CHART Chanel + Lego / **52 ART** Photographers at war / **56 GAMES** Nintendo updates the Wii / **58 MOVIES** Long live *Twilight* / **60 BOOKS** A story of inheritance

Pop Chart



SPACE EDITION



GOOD WEEK/

The Moon

Rumors of new lunar missions resurfaced after Mitt Romney (and his proposed NASA budget cut) was rejected

Astronomers recently theorized that 95% of the stars that will ever exist already do



MADE IN JAPAN Ay-O's Pastoral (Den'en), which imagines an automated society, is just one of many works in "Tokyo 1955-1970: A New Avant-Garde." With pieces from Yoko Ono, Moriyo Daido and others, the show—on view at New York City's Museum of Modern Art through Feb. 25—explores the 15-year period in which the Japanese city became an art capital.

VERBATIM

'If I was J. Lo, you would've called.'

NICKI MINAJ, blasting *The View* co-host Barbara Walters for not getting the rapper's side before reporting that she threatened to shoot fellow judge Mariah Carey on the set of *American Idol*; Minaj denies the allegation, which came from Carey



WTF

Commode To Joy

Disneyland. Busch Gardens. Toilet World? Thanks to the South Korean town of Suwon, what may be the world's next great theme destination pays homage to the porcelain throne. The Restroom Cultural Park, as it's officially known, features bathroom artwork, squatting sculptures and a toilet-shaped home at its heart. (Unoccupied, we assume?) No word, however, on whether there are Porta-Pottys.



\$88.4 MILLION

Amount *Skyfall* earned at U.S. theaters during its debut weekend—a record for the 50-year-old James Bond franchise



POP-LITICS

Flipping the Script

Vice President Joe Biden might be the latest politician to guest-star on a popular TV show—playing himself on the Nov. 15 episode of NBC's *Parks & Recreation*—but he's hardly the first. Here we rank a few more appearances, for better and for worse.

AWKWARD

SARAH PALIN SNL



The VP candidate danced while Amy Poehler rapped about Alaska

TONY BLAIR *The Simpsons*

The British PM, in cartoon form, welcomed Homer and Co. to his home country



CONDOLEZZA RICE 30 Rock



The GOP icon delighted as Jack Donaghy's powerful ex-girlfriend

TIP O'NEILL *Cheers*

The Speaker of the House got a talkin'-to from Norm



RUDY GIULIANI SNL



Post-9/11, the New York City mayor gave viewers permission to laugh again

AWESOME



BURIED TREASURE When the Stadel Museum in Frankfurt sought to expand, its curators wanted to preserve its pristine lawn. So they built the new wing underneath it. Now the grassy field—dotted with 195 skylights to illuminate the exhibits below and slightly sloped to maximize space—resembles a work of art, and patrons are welcome to walk all over it.

QUICK TALK

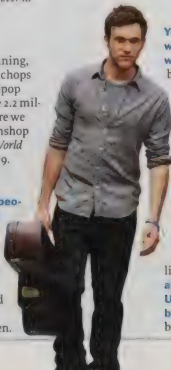
Phillip Phillips

American Idol's relevance may be waning, but there's no denying the industry chops of its reigning champ. Phillips' folk-pop debut single, "Home," has sold some 2.2 million copies since its May release. Here we chat up the 22-year-old former pawnshop employee, whose new album, *The World from the Side of the Moon*, drops Nov. 19.

—DAN MACSAI

So, Phillip Phillips, are you sick of people asking if that's your real name?

No, I think it's always gonna happen. I've had to show people my driver's license and everything, because they thought it was a stage name. **Really?** Yeah, they thought I'd changed my name for some weird reason. But I'm not complaining. It was real easy to write in kindergarten.



You initially told *Rolling Stone* that "Home" was "too pop" for you. Do you still feel that way? No, it wasn't too pop. It was just a little bit too different. It was a little folksy, and—you know, I didn't really have any input in the song, so it just took me time to really make it my own and grow a connection. **"Home" didn't get really popular until August, when NBC featured it during the women's gymnastics promos. How did that come about?** Honestly, man, I have no idea. After a show one night, I got on Twitter, and people were tweeting me like, I heard your song in the Olympics! And I was like, Wow, that's cool. **You helped Gabby Douglas earn a gold medal, basically.** [Laughs.] I don't know about that. I just feel like it's an honor that they chose the song. **Of all the new *Idol* judges—Nicki Minaj, Keith Urban, Mariah Carey—which one would you be the most intimidated to audition for?** It'd be the same as last year: all of them!

3 THINGS YOU DON'T HAVE TO WORRY ABOUT THIS WEEK

- 1. Being able to court Justin Bieber.** The 18-year-old pop star recently split with longtime girlfriend Selena Gomez. That sound you hear is approximately 20 million teenage girls screaming, "Mine!"
- 2. Finding shelf space for more Philip Roth novels.** The celebrated author is retiring. Goodbye, indeed.
- 3. What happened to Cory and Topanga.** Disney Channel is developing a spin off of the '90s hit *Boy Meets World* that will star the couple's daughter.

Art

This Means War. A powerful show looks at how conflict is pictured

By Richard Lacayo

A FEW YEARS AGO, DAVID LEESON, a photographer who won a Pulitzer Prize in 2004 for his coverage of the Iraq war, told an interviewer that he once truly believed there could be "a series of photographs, or a single photograph, that could end war... But can you find it? I never did."

I came across Leeson's words in the catalog for "War/Photography: Images of Armed Conflict and Its Aftermath," the huge, tough-minded, very moving new show at the Museum of Fine Arts, Houston. (It runs there through Feb. 3, then moves to Los Angeles, Washington and Brooklyn.) The exhibition lays out the ways cameras have been put to use during 165 years of world wars, undeclared hostilities and barely organized fang baring. Cameras are the transformer tools of warfare, adaptable as battlefield aids for reconnaissance and surveillance, as peerless instruments of propaganda and, above all, as a means to witness the atrocious facts of war. I came away from the show thinking that maybe Leeson had been holding himself to too high a standard. You may not be able to end war with a camera, but you can do a lot of useful things with one—even tell the truth.

Instead of being organized chronologically, the Houston show suggests that war is better considered as an eternally recurring narrative. Curated by Anne Wilkes Tucker, with Will Michels and Natalie Zelt, "War/Photography" divides its story into chapters, from prewar buildup through postwar remembrances, with wars from all periods combined in each. The weaponry evolves from sabers to torpedoes to rocket-propelled grenades. (For the record, sharpened steel is forever.) The photo equipment changes from

19th century box cameras to cell phones and satellites. But the fundamentals of war—brutality and suffering, grief and self-sacrifice—don't change much. They haven't since the first time a caveman figured out how to use a rock.

The show casts a wide net, with images by more than 280 photographers of all kinds—not just photojournalists but also soldiers, civilians and official military photographers like the American officer who took the movie-worthy view of war at sea *USCG Cutter Spencer Destroys Nazi Sub*. It also defines war photography as an activity beyond the war zone itself. That allows in postwar images like *Darien, Wisconsin*, Peter van Agtmael's unnerving picture of an Iraq-war veteran with a prosthetic leg having a lightsaber battle with his sons, or Jonathan Torgovnik's *Valentine with Her Daughters Amelie and Inez, Rwanda*, a haunting 2006 portrait of a woman raped by Hutu fighters, who is shown with her two daughters. One of them—the one she's embracing—is the product of that rape.

Moving outside the battlefield also acknowledges that combat is just a small part of war, which is "99% boredom and 1% sheer terror," as one Civil War soldier put it. Pictures like Dmitri Baltermants' 1941 image of leaping soldiers, *Attack—Eastern Front, World War II*, may be what we think of first as war imagery. But scenes of the home front—portraits of homecoming

1. *The Return from Entebbe*, Ben Gurion Airport, Israel, 1976
2. *Valentine with Her Daughters Amelie and Inez, Rwanda*, 2006
3. *Darien, Wisconsin*, 1994
4. *USCG Cutter Spencer Destroys Nazi Sub*, 1942







like Micha Bar-Am's 1976 shot *The Return from Entebbe*, Ben Gurion Airport, Israel and pictures of GIs goofing around on base, killing nothing more menacing than time—they're the face of wartime too.

The decision to mingle images from many eras makes war seem like what it is: a chronic condition, a perennial dysfunction in the family of man. All the same, a bit of chronology is useful for grasping how pictures became so important to our understanding of conflict. As early as 1846, when photography was not even a decade old, a

handful of photographers were already sniffing around the edges of the Mexican-American War. But the pictures they made were ghostly daguerreotypes, fragile and one of a kind. It was only during the Civil War that photographers arrived in force, toting cameras with glass-plate negatives that could produce multiple prints. Because their heavy wooden cameras required long exposure times, they couldn't capture movement. But the dead don't move, so scenes of battlefields littered with corpses were possible. These pictures were new, shocking and grimly

fascinating. So were images of Southern towns reduced to rubble: postcards from Armageddon. And though the invention of the halftone process for printing photos in newspapers was still some years away, the Civil War pictures were circulated in multiple-edition albums and used as the basis for engravings in the widely seen illustrated press.

With this combination of new hardware, new means of distribution and a dry-eyed willingness to point the lens anywhere, war photography had truly arrived. So had the moral ambiguities it still carries. No sooner had the U.S.S. *Maine* mysteriously exploded in Havana harbor than William Randolph Hearst, king of the jingoistic press lords, rushed in a photographer to get shots of the wreckage, in hopes it would help instigate a war with Spain. Mission accomplished. By World War I, the demand for dramatic battlefield action shots, something never easy to get, had led to the problem of elaborately doctored scenes, so much so that at least one Australian photographer was transferred away from the front.

The real problem for war photography today, however, isn't staged imagery but image overload. The tidal wave of pictures all around us, with every cell phone adding to the deluge every day, threatens to make even atrocity photos into just more pictures, as morally weightless as the movie stills they so often resemble. For all that, the scores of unforgettable pictures in "War/Photography" make clear that even in a world that contains too many pictures, photos like Walter Astrada's *Congolese Women Fleeing to Goma*—of a wary mother and a nasty-looking tank headed in opposite directions—still have the power to stir your emotions. They may not be able to compel any particular judgment about the wars they represent, but they can lead you to the recognition that attention must be paid. After that, if photos by themselves can't stop war—and they can't—then the fault is not in our pictures but in ourselves.

THE AMERICAN LEGACY BOOK TOUR

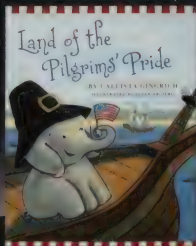
WITH
NEWT AND CALLISTA GINGRICH

PRESENTED BY REGNERY PUBLISHING AND THOMAS DUNNE BOOKS/ST. MARTIN'S PRESS

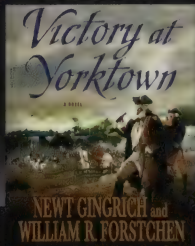


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**VICTORY AT
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Games

Play Hard. With the Wii U, Nintendo aims to recapture the living room

By Harry McCracken

SIX YEARS AGO THIS MONTH, JAPANESE video-game giant Nintendo released the Wii, a console with a motion-sensing controller that got players off the sofa and onto their feet. It became an instant phenomenon. Even 2½ years after its release, Nintendo struggled to keep up with worldwide demand.

But back then, the Wii had far less competition. Nobody had flung even one Angry Bird at a villainous pig or tended to a single FarmVille crop. The iPhone, iPod Touch and iPad didn't exist. Facebook, which had been open to nonstudents for only a few weeks, didn't do games. And no one assumed that a console or any other gadget could stream movies and TV shows over the Internet. Hulu hadn't launched; Netflix's business consisted solely of mailing DVDs in little red envelopes. In 2006 a console could thrive purely by being good at games.

Nov. 18 marks the arrival of the Wii U, Nintendo's take on what a console should look like in 2012 and beyond. With an array of impressive new games, a dynamic new controller, high-definition streaming via Amazon Instant Video, Hulu Plus and Netflix, and social-networking capabilities, the Wii U (available in \$300 and \$350 versions) is imaginative, ambitious and a lot of fun. But so much has changed in the game business that it's not clear whether any amount of imagination, ambition and fun can rekindle Nintendo's old Wii magic.

The Wii peaked in 2009, when consumers snapped up almost 26 million units. Last year they bought fewer than 10 million, and sales of Wii games have



1985: Nintendo Entertainment System
Revived the moribund post-Atari video-game industry
62 million sold



1989: Game Boy
The first popular handheld console came bundled with an iconic game: Tetris
119 million sold



1991: Super Nintendo Entertainment System
The 16-bit NES follow-up was its era's best-selling console
49 million sold

tumbled in tandem. Nintendo's stock has taken a beating, and earlier this year it reported its first loss in five decades as a public company and slashed its profit outlook for its current fiscal year by 70%.

Financial worries aside, Nintendo might seem an unlikely candidate to reinvent console gaming for an era in which games and consoles are blurring into the world of personal technology. Years ago, when Microsoft and Sony hatched plans for the Xbox 360 and PlayStation 3, respectively, they anticipated that this convergence was on its way. So they moved to reposition their consoles as do-everything HD boxes for the living room. Nintendo did not. (It didn't even bother to give the Wii HD capability.)

It's gaming that remains at the core of Nintendo's identity, making it a fundamentally different outfit from Microsoft and Sony, each of which has total revenue nearly 10 times Nintendo's fiscal-2012 figure of \$8 billion. "For both of those giant companies, gaming is just one tentacle of the octopus," says Jeff Ryan, author of *Super Mario: How Nintendo Conquered America*. "For Nintendo, this is it."

Games have been enormously good to Nintendo, and vice versa. Founded in 1889 in Kyoto to produce playing cards, the company had its first electronic blockbuster in 1981 with the *Donkey Kong* arcade machine, designed by Shigeru Miyamoto, who is still Nintendo's presiding genius. Mario, that game's barrel-hopping protagonist, has gone on to star in more than 200 Nintendo titles—the best-selling series in console history. Other Nintendo franchises, such as *Metroid*, *Pokémon* and *The Legend of Zelda*—the last of these co-created by Miyamoto and Takashi Tezuka, who also collaborated on the Wii U—are remarkably durable, inspiring sequel after sequel.

This vertical integration—Nintendo characters appearing in Nintendo games available only on Nintendo hardware, all

created by Nintendo's in-house wizards—is reminiscent of how Apple builds iPads, iPhones and Macs. But it's strikingly different from the business models of the PlayStation 3 and Xbox 360, both of which are more dependent on games produced by independent publishers like Activision and Electronic Arts.

For all the ways in which Nintendo has gone its own idiosyncratic way, the company has "been the best at innovating in this industry for many years," says Laurent Detoc, president of game publisher Ubisoft North America. "The way Nintendo creates new work side by side with hardware engineers," says Reggie Fils-Aime, the president and chief operating officer of Nintendo America. "When the game developers have an idea that can't be fulfilled by the current hardware, that's what's next."

What's next includes the GamePad, the Wii U's new controller. It sports a 6.2-in. touchscreen, motion sensors, dual joysticks, a stylus and a gaggle of buttons, and no two games use it the same way. In *The Legend of Zelda: Battle Quest*, you can swing it around 360 degrees to view the world around you. In *Takamaru's Ninja Castle*, you flick throwing stars off the touchscreen onto the TV. In *Donkey Kong's Crash Course*, you rock the GamePad to propel a cart through a maze. (Those three games are part of Nintendo Land, a virtual amusement-park title.)

Like the PlayStation 3, Wii and Xbox 360, as well as boxes such as Apple TV and Roku, the Wii U streams movies and TV shows in HD with its TVii feature. It can also control cable boxes and TiVo DVRs, and it lets you use the GamePad to browse and search across all its sources, melding disparate video into one unified interface. "Our hope," Fils-Aime says, "is that the GamePad is going to sit on the living-room table and be touched by every member of the household at least once a day."

The Wii U's games and TV features are tied together by MiiVerse, an ambitious social network that Nintendo plans to bring to PCs and phones as well as its own hardware, playing catch-up with the Xbox 360's wildly popular Xbox Live. MiiVerse lets you share your high scores and other game achievements, as you'd expect, but you can also keep tabs on the TV shows that friends are watching, exchange messages and drawings and use the GamePad for video chat.

Game-wise, a big burden rests—as usual—on the tiny shoulders of Mario, who headlines *New Super Mario Bros. U*, one of 23 titles launching alongside the Wii U. But the console is also getting its own versions of grittier blockbusters like *Batman: Arkham City* and *Call of Duty*, and the console is the first to get *Bayonetta 2*, a sequel to a 2010 PlayStation and Xbox title about a pistol-packing witch.

Some Nintendo watchers say great games won't be enough. Casual players who were charmed by the Wii now have endless options, nearly all of which cost far less than a console and console games (which run \$40 to \$60 a pop). "The generation of young women who bought a Wii to play *Guitar Hero* has moved on to smart-phone and social games. The same is true of middle-aged women who bought a Wii to play *Wii Fit* and older women who bought a Wii to play *Wii tennis*," says Michael Pachter, a research analyst at Wedbush Securities.

But Nintendo has been underestimated before. Until the Wii's release, multiple observers predicted that the PlayStation 3 and Xbox 360 would outsell it. The Wii went on to become the industry's top home system, an honor it maintained through 2010. This may help explain why Nintendo has a history of cheerfully ignoring the advice of pundits. The Wii U may not be a sure thing, but it's exactly the machine Nintendo wanted to build—and it's impossible to imagine anyone else building it. ■



1986: Nintendo E4

This technological breakthrough brought 3-D realism to console gaming
33 million sold



2001: Game Boy Advance

With no technical innovations, this uninspired system sold poorly
22 million sold



2006: Wii

The simple, motion-sensing controller was hugely influential
97 million sold

Illustration by Joe Zeff Design for TIME

Movies

Fresh Blood. Our guide to filling the *Twilight* void

START

Do Not Go Gentle Into That *Twilight* How to cope with the franchise's end

By Lily Rothman

THE LONG DUSK OF *Twilight* FINALLY fades to black. Seven years after Stephenie Meyer's novel about a new girl in town who falls for a vampire, *The Twilight Saga: Breaking Dawn—Part 2* (out Nov. 16) brings the monumental franchise to a close. Fans known as Twi-hards—who helped propel the previous *Breaking Dawn* film to \$705 million in worldwide grosses—will be left without an addictive paranormal romance to sink their fangs into.

Then again, vampires are hard to kill. The tale of human teen Bella Swan (played in the films by Kristen Stewart) and her unearthly beau Edward Cullen (Robert Pattinson) may well continue outside the confines of the *Twilight* books and movies. The saga will remain vibrantly undead on fan-fiction forums; in official *Twilight* conventions, cruises and campsites (like the one this month in Los Angeles, where thousands of fans spent days waiting to see the stars of *Breaking Dawn—Part 2* arrive for the premiere); in scholarly essays, indie-rock band names (including the Bella Cullen Project and Be Safe Bella) and baby-naming habits (Isabella was the No. 2 name for newborn girls in the U.S. last year); and in the tabloid industry unto itself that is on-again, off-again lovers Pattinson and Stewart, a.k.a. Robsten.

Most significant, Bella and Edward will live on in the many TV shows, movies and—especially—young-adult book series that have taken their cues from *Twilight*. If you're a bereft Twi-hard wondering where to transfer your affections in a desolate post-*Twilight* world, follow our handy flow chart. Or just sit tight: rumor has it that remakes of the movies are already in the works.





WHAT DREW YOU IN FIRST, THE BOOKS OR THE MOVIES?

THE BOOKS

THE MOVIES

{ EVER WISH SAD-FACED BELLA FOCUSED MORE ON HER FRIENDS? }

DO YOU LIKE YOUR FRIENDSHIPS COVERED IN GORE?

I DO!

HMM, NOT REALLY...

SURE, SOMETIMES!

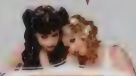
NO!

DO YOU PREFER YOUR VAMPIRE STORIES TO UNFOLD IN IDYLIC SMALL TOWNS OR NON-CONTEMPORARY SCARY DYSTOPIAS?



LET THE RIGHT ONE IN

A bullied boy develops a tender bond with a blood-drinking girl in this acclaimed Swedish horror film



VAMPIRE

Alia Silverstone reunites with her *Gruesome* director, Amy Harker, for a comedy about a vampire seeking for Mr. Right

SMALL TOWNS

DYSTOPIAS

{ PAST OR FUTURE? }

PAST

FUTURE

{ IF THE SMALL TOWN IS ON TV, IS IT PACKED WITH TEENAGERS? }

YES

NO

NO! MUST HAVE VAMPIRES!

HOUSE OF NIGHT

A human teenage girl stumbles toward vampiredom in the YA fantasy series, now on its 10th installment

THE VAMPIRE DIARIES

Two vampire brothers share a fixation with the same human girl



TRUE BLOOD

In a town where vampires live alongside humans, a mind-reading waitress falls for one



ABRAHAM LINCOLN: VAMPIRE HUNTER

The rebel South conspires with vampires as a crisis that's true to its title



DAYBREAKERS

Travelling abroad, vampire go-getters that deliver out enough blood to go around



By Allison Duda, Lily Rothman and Jessica Winter

BOOKS: ELIZABETH BENSTROM FOR TIME; TV: PATRICIA; STEWART; LAUTNER; GETH; IMAGES; EVERETT; A.

Books

When the Bough Breaks. A monumental survey of our twisted family trees

By Lev Grossman

ALTHOUGH HE IS NOT HIMSELF A LITTLE person, Andrew Solomon attended a Little People of America convention in Danvers, Mass., in 2003. On his first day there, he met a teenage girl who was staring around at her fellow attendees, evidently distressed. It was her first time there too. "This is what I look like," she said. She was either laughing or crying or both. "These people look like me!"

This story comes early on in Solomon's monumental, almost absurdly ambitious *Far from the Tree: Parents, Children, and the Search for Identity*. It illustrates a concept that Solomon calls horizontal identity. As he explains in his precise, occasionally clinical prose, "Often someone has an inherent or acquired trait that is foreign to his or her parents and must therefore acquire identity from a peer group." Horizontal identity was hitting that girl at the Little People convention like a ton of bricks. She looked more like a bunch of people she'd never met than she did her average-size parents.

Solomon (who also wrote *The Noonday Demon: An Atlas of Depression*, which won a National Book Award in 2001) is interested in such traits and the way horizontal identities can overwhelm vertical identities—the one you get from your parents—thus opening chasms within families. Dwarfism is one such trait. Deafness is another: "Sometimes deaf culture looks like the Moonies to me," one hearing parent of a deaf child tells Solomon. "Your child will be happy, just don't expect to see her anymore, she's too busy being happy." Sometimes love is enough, and sometimes it isn't.

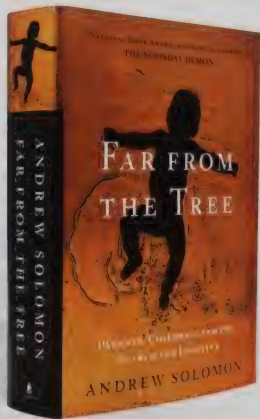
Solomon is drawn to families that try, successfully or unsuccessfully, to bridge those chasms, and as the gay son of straight parents, he knows about them firsthand. He also gathers testimony from the families of transgender people, autistic children and kids with Down syndrome, schizophrenia and multiple severe disabilities. He talks to the families of musical prodigies and of convicted

criminals. He talks to mothers who became pregnant by rape.

In fact, he talks to an incredible number of people, and the sheer weight and intimacy of the anecdotes in *Far from the Tree* put it in a league with great oral histories like Studs Terkel's *Working*. Solomon has an extraordinary gift for finding his way into the relatively hermetic communities that form around conditions like autism—cells of unassimilable exoticism within the mainstream monoculture—and gaining the confidence of the natives. He hangs out with gangbangers in a Guatemalan slum. Schizophrenics show him their garbled poetry. He chills in the former prodigy Lang Lang's hotel room after a concert. He stays in the guest room that used to be Dylan Klebold's bedroom.

Far from the Tree is itself more of a horizontal book than a vertical one; the vast spectrum of experience it covers would be impossible for any author to theorize effectively. Some of the stories represent a triumphant reframing of disability as a rich, generative source of identity and a celebration of difference between parent and child. But for many families—particularly the ones dealing with autism and schizophrenia—the search for identity ends in collapse or stalemate or even suicide, and parents are left haunted by the ghosts of the children their children might or should have been but for accidents of fate and genetics. In those cases, Solomon can only chronicle a kind of bravery that is as extreme as it is uncelebrated: when the birth of a child represents the death of hope along any axis—horizontal, vertical or other. "Sometimes," the mother of one schizophrenic woman tells Solomon, "life isn't about choices." And when choice fails us, love is the only thing left.

Solomon interviewed more than 300 families to write *Far from the Tree*, producing 40,000 pages of transcripts. He also knows about unconventional families firsthand: he and his husband have four children between them



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Joel Stein



Clear Eyes, Cold Heart, Can't Lose

How to resist sexual temptation in one easy step

I WOULD NEVER, EVER SLEEP WITH MY biographer. How can I be so sure? Because, as a married man, I would never, ever tell my life story to a woman I found even remotely attractive.

Unlike me, David Petraeus is a man of great loyalty, sacrifice, honor, discipline and willpower. Which is exactly why he messed up. I know I am a man of infinite weakness. And because of this knowledge, I know that the two greatest rules in life are not to get involved in a war in Afghanistan and not to hang out with hot chicks.

I spend much of my day avoiding sexual situations. I set my GPS to a male voice. I get massaged only by chairs. I try to limit business travel to cities in the Northeastern U.S. When I interviewed babysitters for my son Laszlo, the question "How are you around children?" was fifth on my list, after "How often do you wear sweatpants?" "Do you feel the need to wear makeup during the day?" "Do you do a lot of thigh work at the gym?" and "Do you read and enjoy my column on a regular basis?"

People greatly underestimate how they'll act in what economists and psychologists call a hot state, such as being hungry, horny or, according to my MTV viewing, from New Jersey. Dieters succeed best when they wake up and make a list of everything they'll eat that day so they don't have to make decisions when they're hungry and staring at a menu. But willpower in one area does not always translate into self-control in another; we're all tempted by different vices and have experience resisting different triggers. Because Petraeus had extensive Army training to withstand torture, sleeplessness and contemporary hairstyles, he probably thought he could

also steel himself against temptations he hadn't trained for. "People who pride themselves on being superrational and superdisciplined are uniquely at risk for this hot state/cold state problem. This is how hubris works," says Charles Duhigg, whose book, *The Power of Habit: Why We Do What We Do in Life and Business*, puts book buyers in a hot state by gratuitously throwing in the word *business*.

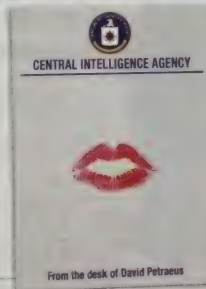
I don't even fully trust cold-state me. When I was on *Dr. Phil* three years ago, I sat next to hot, 21-year-old, identical-twin former nannies named Pam and Deja. When Dr. Phil asked if I'd hire them, I told him I wouldn't even let my friends hire them. "If I'm dieting, I'm not putting chocolate in the house," I said. When I got home, proud of my wisdom, my lovely wife Cassandra screamed, "I'm the diet?" I explained that she was the diet only because she was my wife and because, unlike Pam and Deja, there is only one of her. We did not have sex that night. Neither did Cassandra and I.

Duhigg said he got much of his evidence from studies done by George Loewenstein, an economics and psychology professor at Carnegie Mellon University. Loewenstein has found that people in their cold states lack empathy for mistakes made by people who were all heated up, which is why we, in our lame daytime cold states, are so eager to moralize about the lapses of Petraeus as well as the identical twin sisters, doctors, generals and shirtless federal agents who make up the telenovela that is his life.

When I called Loewenstein for an explanation of how Petraeus could make so many hot-state mistakes in the middle of the day, over e-mail, he said someone as upright as Petraeus was particularly vulnerable since he had little practice in dealing with sexual temptation. So he kept getting excited and doing stupid things, like writing inappropriate e-mails despite all that wasted time learning Morse code.

But Loewenstein told me that he probably wasn't the best person to talk about what Petraeus did wrong. He actually doesn't fault Petraeus' overestimation of his willpower nearly as much as he does our prudish society for making Petraeus so inexperienced that he didn't know he was supposed to restrict his adulterous exchanges to phone calls and cash-only hotels—which would have saved our country from needless scandal. "I think most of us underindulge. Most of us are too self-controlled," Loewenstein said. Fighting willpower, he believes, can be fruitless. And it causes great misery.

Then one of the greatest neuroeconomists who's ever lived—a man who has studied both the human brain and money—gave me advice that's haunted me ever since. "As a 57-year-old talking to a 41-year-old, I'd say, 'Enjoy it now.' My personal advice is, do hire the hot nanny," he said. "Though that's not the best way to have an affair." Maybe not, but it sounds a lot easier than writing a Pippa Middleton biography.



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10 Questions

Himmler's great-uncle Heinrich was responsible for the Nazi plan to wipe out Jews in Europe



A descendant of Nazi elites, **Katrin Himmler** on her ancestors, her Jewish in-laws and why she kept her name

You are the grandniece of Heinrich Himmler, the second most powerful Nazi and one of the biggest war criminals ever. What's it like to live with that?

It was always a very heavy burden in my family. But my father spoke about it very openly from the very beginning. I can't remember the first things we were told about it—we were so young—but I think I was 11 when I watched the movie *Holocaust* with my parents. That was shocking. I learned what [my great-uncle] was really responsible for. And then I started to read about it.

In the new documentary you're in, *Hitler's Children*, Bettina Göring, grandniece of Nazi leader Hermann Göring, says she and her brother decided not to have kids, to end the line. Do you feel that way?

Other children of perpetrators in Germany have decided to do that. But for me, that's a continuity of how the Nazis thought—that everything is defined by bloodlines. Genes aren't everything. You can always make your own decisions. For me it was important to get educated, to pass on what I learned.

You still use the name Himmler?

When I was young, I felt I had

to get rid of the name as soon as possible. But it was never really a problem from other people. The problem was inside. It wouldn't change anything if I changed my name.

You wrote a book about the Himmler brothers. What did you find out?

It was horrible. Everybody was a member of the party, and almost everybody was a member of the SS. It would have been so great to find one [of that generation] who was, if not in the resistance, at least passive. But I didn't.

Did you know your grandparents?

Only my grandmother. When I was researching my book, I realized she was still in contact with war criminals after '45. It's painful to know that someone you love was sending presents to war criminals.

Did that change the way you felt about her?

Yes, of course. Later she condemned very clearly what happened. But it was a process for her. It was hard. She was married from '33 until '45, during the National Socialist era. Those were her personal best years.

Do you think the shadow of the Holocaust is still over Germany? Or is it beginning to clear?

On the one hand, you have this official dealing with the past. You can get informed about anything, about any detail you want.

But on the other side, in the families, there has been this silence over so many years. That started to change only with the third generation, my generation.

What are you telling your son?

He's 13. He doesn't ask very much, but when we speak about it, I realize he knows a lot. I have the impression that for him, it's not that necessary to deal with it, because I have.

You married the Israeli son of a Holocaust survivor. Is that right?

My ex-husband's father was in the Warsaw ghetto as a child, but his family left with false papers and survived in the surroundings of Warsaw until the end of the war.

So your father—Himmler's nephew—and your father-in-law, who once lived in a place where thousands of Jews were shipped to camps every day, were in the same wedding party?

Look, I know the discussion in the U.S. about the Holocaust is much more emotional than in Israel and Germany, but I am a bit frustrated with the suggestion that we are extraordinary freaks. Our fathers are both open-minded and tolerant men. Our parents are still good friends. Both of our families are convinced that it's not helpful to separate the world into good and bad after generations but that it is necessary to speak with the other side.

—BELINDA LUSCOMBE

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